

EUROPEAN CIVILIZATION

ITS ORIGIN AND DEVELOPMENT

BY
VARIOUS CONTRIBUTORS

Under the direction of
EDWARD EYRE

IN SEVEN VOLUMES
VOLUME V
ECONOMIC HISTORY OF
EUROPE SINCE THE
REFORMATION

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PART I

THE COMING OF THE
ECONOMIC STATE

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THE EFFECT OF THE RELIGIOUS CHANGES OF THE SIXTEENTH AND SEVENTEENTH CENTURIES ON ECONOMIC THEORY AND DEVELOPMENT

By MARGARET JAMES

CHAPTER I

THE MEDIEVAL INHERITANCE

JUST as the Renaissance and the Reformation were in part the fruition of developments which had their roots in the past, so, to an even greater extent, were the economic changes of the sixteenth century the result of old forces as well as new. Much that was 'modern' can be discovered in the economic life of the Middle Ages, and much that was 'medieval' survived in the sixteenth, and even in the earlier seventeenth century. Thus any discussion, however brief, of the sixteenth-century changes is incomplete without a glance backwards at the economic thought and structure of the Middle Ages.

As compared with what had gone before and what was to follow after, the economic life of medieval Europe was rudimentary and undeveloped. In the political and legal spheres the Roman Empire had bequeathed important legacies to its descendants. In the economic sphere, the legacy had been lost or trampled underfoot by barbarians who did not recognize its value. The great achievements of Rome in the arts of building, draining, and road-making were forgotten. It is only now, with the advent of the powerful motor-car, that the significance of the Roman roads in Britain has been widely realized. During the earlier Middle Ages, before the eleventh century, industry was largely confined to the production of immediate necessities by individuals and households and commerce between different countries was rare. Then, and for long afterwards, the occupation of greatest importance was agriculture, carried on round the unit of the manor or village and generally organized on a feudal basis. Almost all medieval theories and assumptions

were coloured by what remained to the end of the Middle Ages the dominant type of organization and way of life. For, despite the general increase of trade and industry by the fifteenth century and their high point of development in particular towns and countries at various periods during the later Middle Ages, their possibilities had still to be fully realized in Europe as a whole. The typical producer in the country was the peasant, bound to the soil by custom and manorial regulations; and in the town the small craftsman, usually a member of a merchant or craft guild, with its corporate life, its social and religious activities and its devotion to tradition. There was little national unity, but there was some European unity, based on the broad geographical sameness of the Mediterranean countries, preserved by the isolation of Europe from other continents, and fostered by the teaching of the Church and the memory of the Roman Empire.

Against a background of this kind medieval economic thought developed. This thought was various and many-sided, and in a bare summary it is possible only to mention what appear to have been its most dominant features. It is significant that, in one sense, there is little or no medieval economic theory at all, for almost all such theory was a by-product of religious speculation and doctrine. Bryce has said that the Middle Ages were essentially unpolitical. It might with equal truth be said that they were essentially uneconomic. The bulk of medieval economic doctrine was contained in the works of the Schoolmen, and the main assumption under which they wrote in this and in other connexions was the conception of the world as a synthesis with an ultimate religious significance. Society was regarded as an organism in which different classes performed different functions, all necessary to the health and well-being of the whole. Jacques of Vitry, a contemporary of Philip Augustus, using the common analogy of the human body, compared the clergy to the eyes, the knights and barons to the hands and arms and the common people to the lower parts of the body. That the end towards which this organism was striving was a religious one was never openly questioned. It was

assumed that the worldly activities of the social body were a necessary stage in its evolution towards a higher state, and must be regulated with that end in view. A Bull of Boniface VIII declared that: 'The way of religion is to lead the things which are lower to the things which are higher through the things which are intermediate.'

It is not surprising that such a theory of society and economic activity took agriculture and feudal organization as its norm. One of the essential features of feudalism, in theory at least, was the principle of reciprocity, embodied on its political side in countless laws and oaths which contain promises of fidelity on the one hand and protection on the other. On its social and economic side the same principle may be traced in the customary law of manor and village, which provided for services from the peasant to the lord and aimed at securing a measure of security and fair treatment in return.

Thou that are born to land and rent,
And arte cleped a gentleman

says Crowley,

. . . As thou dost hold of thy king,
So doth thy tenant hold of thee,
And is allowed a living,
As well as thou, in his degree.

Crowley, writing in the sixteenth century, tended to idealize what was then a vanishing structure of society. In practice the whole balance of economic power was on the side of the lords, and the history of those occasions on which the medieval peasantry revolted against their dominion is sufficient to indicate the oppressive way in which this power was too often exercised. But, at a time when labour was immobile and often scarce, it was usually in the interest of the lord to treat his tenants with a measure of consideration, and this interest was reinforced by the custom of the manor and the teaching of the Church. Again, the tie which bound lord and peasant was often comprehensive, including military and political as well as purely economic bonds. Thus partly because of influences

which tended to soften the hard edges of an essentially oppressive economic relationship, partly because the Church itself was from early times a great landowner, it was usual for medieval writers to accept the feudal structure without much discussion or criticism. A streak of communistic theory ran through some of the peasants' revolts and some of the more extreme heretical movements of the Middle Ages, but it was no more than a streak, and the movements which occasioned it were put down with relentless vigour.

Industry and commerce, on the other hand, were frequently discussed, not because they were considered interesting or admirable, but because right up to the end of the Middle Ages the representative attitude towards them was one of uneasy suspicion. Mr. Tawney has said that the attitude of medieval theorists to industry was that of one who 'holds a wolf by the ears'.¹ This suspicion was founded on the fact that, even in their early stages, trade and commerce were more difficult than agriculture to confine within the framework of customary and ethical relationships. Medieval pronouncements on the subject of economic activity fall strangely on modern ears. Property itself was considered by the Fathers and the Early Church to be an institution made inevitable only by original sin, and later the Schoolmen surrounded its use by conditions framed with the object of preventing extortion and greed. Trade and commerce presented an exceedingly difficult problem. It was said of trade, 'Deo placere non potest'; and, 'Summe periculosa est venditionis et emptionis negotiatio'. Aquinas declares that 'trade is justly despised because considered in itself it is the servant of the greed for gain which knows no limit but tends to infinity, and therefore trade considered in itself (or without reference to its purpose) has a kind of vileness . . .'.² But when devoted to some laudable object, such as charity, the upkeep of one's household, or the good of the State, trade is necessary and justifi-

¹ R. H. Tawney, *Religion and the Rise of Capitalism*, 1926, p. 21. This book contains an invaluable discussion of the whole question of the effect of religious changes on economic thought and organization, and I am greatly indebted to it throughout.

² Aquinas in the *Summa Theologica*, 2^a-2^ae, lxxvii. 4. For quotations from Aquinas and other medieval writers, see G. O'Brien, *Medieval Economic Teaching*, 1920.

fied. It is not evil so much as dangerous, an occupation which despite itself points compass-like to a magnetic north, a frozen desolation hateful to both God and man. De Romanis, Master-General of the Order of Preachers in the thirteenth century, when speaking of the difficulty of enforcing just and moral principles among traders told the following legend: How, when a man entered an abbey he found many devils in the cloister, but in the market-place only one on a high pillar. 'This filled him with wonder. But it was told him that in the cloister all is arranged to help souls to God, so many devils are required there to induce monks to be led astray, but in the market-place, since each man is a devil to himself, only one other demon suffices.'¹

The devil who dwelt within every trader waiting an opportunity to lure him to destruction was, according to the medieval theorist, that desire for unlimited gain referred to by Aquinas. 'The object of the art of making money is merely the making of money, and to this there can be no limit.' Such unbridled acquisition was condemned almost without argument. Medieval thought, with its religious foundations and its assumption of a mainly static society of peasants and small craftsmen, could not conceive that the unlimited gain of individuals might result in social benefit. On the contrary, it was assumed to be utterly destructive both to the soul of the individual and to the society of which he was a part. According even to St. Antonino, who wrote when the economic developments of the later Middle Ages were beginning to obstruct the theologian's path with sharp thorns, the trader's activities are justified only when he limits himself to seeking such moderate profits as will provide himself and family with the necessities befitting the station in life to which they have been called. For the idea of a 'station in life' was firmly embedded in medieval thought and only less firmly in medieval practice. In the economic sphere, it implied that the man who attempted to attain a position which would raise him head and shoulders above his fellows was immediately

¹ Quoted Bede Jarrett, *Social Theories of the Middle Ages*, 1926, p. 164. This book also contains many useful quotations.

suspect. A large number of town and gild regulations were framed with the object of preventing the enterprising man from reaping the full benefits of his enterprise. Thus the number of apprentices which a master might take was limited, and his work was subjected to a variety of traditional restrictions as to form, quality and price.

Medieval thought on economic questions was not confined to religious and philosophic generalities, though it always presumed them. It made as well the difficult attempt to translate them into effective practice by working out a set of rules for economic conduct in particular cases. The chief problems which it attempted to solve were those of the just price and of usury. That there was a 'just price', something objectively fair and reasonable, independent of the 'higgling of the market', was assumed by theologians and jurists to be a truism. The only difficulty was how to arrive at it. Even if, as was often recommended, a fair price was fixed by the town or by the central government, there remained the problem of the method by which it was to be determined. When the determination was left to the buyer and seller the practical difficulties increased. In each case, what was usually recommended was the recourse to well-informed, honest 'public opinion'. Aquinas says: 'the just price of things is not fixed with mathematical precision, but depends on a kind of estimate, so that a slight addition or subtraction would not seem to destroy the equality of justice.' The allied question of wages was not discussed frequently or at length, partly for the reason that in most European countries during the Middle Ages the mere wage-earners were in a minority.

Medieval discussions on usury may seem to occupy a disproportionate space until it is remembered that, to the village or small town of the Middle Ages, the usurer was the same sort of inescapable bogey which he is to an Indian village to-day. Again, the definition of usury both then and later was wider than it is now. It was summed up in the complaint made by his parishioners against a sixteenth-century minister, who added to other unpopular habits the practice of lending at a penny in the shilling,

—Dr. Bennet, they said, was ‘a great taker of advantages’. In common with a good deal of medieval thought, the medieval conception of usury was based on its theoretical side on the doctrine of Aristotle, and, in particular, on his pronouncement that money cannot breed money. ‘To take usury for money lent is unjust in itself,’ says Aquinas, ‘because this is to sell what does not exist, and this evidently leads to inequality, which is contrary to justice.’ He goes on to draw a distinction between articles whose use lies essentially in their consumption, such as food, and those which possess a use apart from their consumption, such as houses. Money belongs to the former category, and thus to exact an extra payment for a money loan is unjust and unnatural. Ecclesiastical legislation on the subject of usury expresses this opinion with no uncertain voice. Two Church Councils, those of Lyons (1274) and Vienne (1312), were unusually explicit and unyielding in their terms. The former re-enacted and expanded the existing measures which relegated the money-lender to the position of an outlaw. The latter, recognizing that evasions of the usury prohibitions both by individuals and governments were numerous, took steps to guard against them by insisting that usurers should submit their accounts to examination. Any one who persisted in denying that usury was a sin was to be punished as a heretic.

What gave this doctrine and legislation reality and colour during the greater part of the Middle Ages was the fact that its practical implications—suspicion and limitation of the usurer’s activities—were, to a certain extent, in accordance with actual conditions. So long as the typical borrower was not the merchant or speculator but the peasant or craftsman, intent on securing a loan to tide over a hard time, it was true enough that money did not breed money. But even Aquinas was forced to admit certain exceptions to the rigid prohibition of usury, and as time went on these exceptions became larger. Roughly speaking, there were three main occasions on which interest might be legally taken—in the case of *damnum emergens* (actual loss), *lucrum cessans* (absence of gain), and *periculum sortis* (presence of special risk). The lending of money, at first

confined to the outcast race of Jews, gradually became a tolerated occupation for Christians.

It is comparatively easy to discover what medieval ecclesiastics thought about economic conduct. The difficulty comes in discovering how far their thought influenced the opinions and actions of the men whose conduct they attempted to control. To most twentieth-century readers their doctrine appears so remote and fantastic that it is easy to think of it as a mere intellectual curiosity, or as what would be called to-day an extreme example of pious 'uplift'. On the other hand, there is the somewhat romantic view of the Middle Ages as a Golden Age, when thanks to undeveloped economic conditions and the influence of the Church the 'capitalist spirit' and the fiercer economic appetites were unknown. Although in the absence of much desirable evidence it is impossible to speak with complete certainty, it seems probable that neither of these views is justified. Despite what seems to us the other-worldly character of the medieval Church's economic teaching, it frequently had its roots in the earth. One does not need to be a thoroughgoing Marxist to realize that no economic, or any other doctrine can develop entirely without reference to existing conditions. It must be influenced by attraction to or repulsion from them. What appears fantastic in connexion with modern industrialism and world economy was often realistic and practical in connexion with feudal landowners and peasants and craftsmen, gathered together in small, segregated groups in village or town. There were, of course, many exceptions to this type of economic organization. Before the fifteenth century the cities of Paris, Bruges, and Florence had populations of 50,000 and upwards and numbered among them a considerable wage-earning proletariat, while London in 1377 had a population of about 30,000 laymen. But the English country-side, with its large towns of, at most, 10,000 to 15,000 inhabitants and its smaller towns of 1,000 to 4,000 inhabitants, was more representative of general conditions.¹ While it is easy to over-emphasize the absence of a

¹ For general reference, see J. Conrad and L. Elster, *Handwörterbuch der Staatswissenschaften*, vol. II, p. 433 (publ. Jena, 1890-7).

wage-earning proletariat, it is significant that the 128 Paris guilds which existed at the end of the thirteenth century included 5,000 masters and 6,000 to 7,000 journeymen.¹

It has been pointed out that the Scholastic doctrine of usury was, despite its abstract form, a very fair commentary on the activities of the medieval usurer. The same is true of the doctrine of a just price and the prohibition of extortion under its various forms of 'forestalling', 'engrossing', and 'regrating'. The man who after a bad harvest captured the corn supplies of a medieval town and charged excessive rates for them would bring ruin and starvation to his neighbours. They would not love him for it, and would be only too ready to uphold any doctrine which was framed with the object of putting a check on his activities. The truth was that medieval peasants and townsmen knew too much about their neighbours to be able to view their less social activities through a cloud of illusion. Attempts at big business in the Middle Ages, although they certainly existed, had less the appearance of a fascinating and clever game than of a dirty and dangerous trick.

Even if it is admitted that during the greater part of the Middle Ages it was in the interests of the prevailing type of society that the ecclesiastical doctrines of usury and the just price should be enforced, the question remains as to how far it was in practice possible to enforce them. In the first place there were the ecclesiastical sanctions themselves, the influence of a universal Church in possession of its own system of canon law and ecclesiastical courts, and using the powerful weapons of interdict and excommunication. The wide competence and still wider claims of the ecclesiastical courts are apparent to any one who opens a textbook of constitutional history, but unfortunately there is little evidence as to how far they were successful in dealing with cases of usury. On the Continent there are some indications of successful activity, as when an archbishop of Bruges forced thirty-five usurers to surrender their unlawful gains. In England, usury was for some time one of those debatable borderline cases

¹ M. Saint-Léon, *Histoire des Corporations de Métiers*, 1922, pp. 219, 220, 224, 226.

which might be claimed either by secular or ecclesiastical jurisdiction, and it was not until the middle of the fourteenth century that the claim of the Church in this matter was definitely admitted. Even then, it is unlikely that in the same thriving towns where usury was most likely to crop up the ecclesiastical authorities would often be strong enough to take the matter into their own hands. Nevertheless, cases of the punishment of usurers by ecclesiastical courts occur, as in Whalley, Ripon, and London, and even after the Reformation this jurisdiction was not abandoned.

The reluctance of the secular authorities to recognize the competence of the ecclesiastical courts in usury cases was far from being due to any desire to smooth the usurer's path. They were as anxious and sometimes more anxious than the Church to condemn usury, but naturally they preferred to keep the profitable business of punishing it in their own hands. In 1363, Edward III sent a writ to the London city government praising the efforts they had already made 'to put an end to the horrible vice and knavery of usury', and giving them authority to make an ordinance for its punishment. A special tribunal, consisting of the mayor, two aldermen, and four commoners, was to be set up to deal with usury cases. The resulting ordinance did not err on the side of leniency. By its terms, the usurer was imprisoned until he had restored the full sum at issue to the debtor and paid an equal sum into the city exchequer. A persistent offender who had been convicted three times of usury was to be outlawed from the city under pain of imprisonment for life if he returned. The administration of this ordinance is illustrated by the case of Ralph Cornwall in 1377, when, on the debtor refusing to pay the interest of £2 on a loan of £10 for three months, the London court freed him from his obligation and imprisoned the lender till he should have paid to the city exchequer twice the sum he had demanded. Nor was this action unique in kind, although it may have been unusual in severity. Similar proceedings are reported from provincial towns, such as Norwich and Chester, and from manorial courts. The secular authorities were, in fact, generally opposed to

all kinds of extortion. They endeavoured to fix a just price by the various Assizes of Bread, Ale, and Cloth, and to prevent engrossing or manipulation of the market.

Thus, during the greater part of the Middle Ages representative opinion among ecclesiastics and laymen condemned the sins of usury and avarice, and their condemnation, in part conditioned by, took colour from the social structure and economic habits of the time. But while this theory and legislation were far from being a mere 'cobweb of the brain', they were also far from being a fine and strong network through which not even the most slippery fish could escape. Recent discussions on the nature and genesis of 'capitalism' and the 'capitalistic spirit' seem at least to have established one thing—the fact that, in some form, both the organization and the spirit are as old as mankind and will probably only perish with him. In the opinion of Professor Pirenne, the difference between medieval capitalism and its modern counterpart is one of degree only. The Middle Ages had its commercial capitalists, like Richard Whittington and the de la Poles, and its financial capitalists, like the Bardi and Peruzzi, and it is absurd to suppose that such men made their fortunes by observing meticulously the rules for economic conduct which have been discussed above. In particular, it is obvious from the most cursory study of medieval sources that the prohibition of usury was constantly violated, and not least by those in high places in Church and State. The Papacy, with its well-developed administrative system and its many pressing necessities, made regular use of the great banking houses which, from the thirteenth century onwards, developed in most of the important economic centres of Europe and particularly in the Italian towns. Kings found it impossible to meet their political and military obligations without recourse to the Jews, and then, as money-lending became better established and more respectable, to the Italians and to their own subjects. Edward III, who exhorted the London authorities to carry on the good work of putting down usury, enjoys the distinction of having ruined the Bardi and Peruzzi by failure to pay his very considerable debts. Such lending and borrowing between great men and great

organizations went on at a time when the Scholastic prohibition of usury was still on the lips of these same magnates when they were concerned with their subjects. For the truth was that, as it was left for a later era to discover consciously and fully, the medieval usury laws were based on the assumption of a far simpler economic order than that which had come into being among the higher strata of society before the end of the Middle Ages. Thus, for some time, it was possible for the rulers of society to enunciate and attempt to enforce a code of economic conduct which they did not themselves observe without being altogether hypocritical.

But as time went on, and certainly by the fifteenth century, what had once been exceptional and confined to a minority became more usual and widespread. The fifteenth century in England, which to the purely political observer may seem a time of retrograde confusion, was in the economic sphere a period of rapid development. Industry, and particularly the woollen industry, became more complex and efficient, and as Mr. Lipson has pointed out there were already in the early fifteenth century some instances of capitalist clothiers—the forerunners of Jack of Newbury. The increased scope and variety of foreign trade are illustrated from such sources as the *Lybelle of English Policy* and the numerous commercial treaties, while the prevalence of money economy is indicated by the passing of Acts against payment in kind. Borrowing and lending by ordinary individuals was no longer mainly an emergency measure, taken unwillingly on the part of the borrower and surreptitiously on the part of the lender. As trade assumed larger and more complex proportions traders came to require more ready money than they actually possessed at any given moment, and in return for the cash they were ready to pay good interest. The Early Chancery Proceedings contain examples of this kind of borrowing and lending, sometimes under a pretext such as that of partnership. Englishmen were now well able to undertake the business of banking. The members of the Gild-Merchant of Lynn became the bankers and capitalists of the town, and in 1408 their loans amounted to £1,214. In London various com-

panies, including the Goldsmiths and Scriveners, were soon to perform the functions of banking.

In England and elsewhere the fifteenth century was a time of transition, during which the new growth had to push its way painfully and doubtfully upwards through a tangle of inherited forms and prejudices. The conditions of fifteenth-century Florence or Paris or even London (for England still remained, economically, in the second flight) were unlike those of the small town or village presupposed by the framers of medieval doctrine on economic questions. Prohibitions and exhortations which had formerly possessed reality and meaning now sounded strange and hollow in the great cloth halls of Antwerp or the banking houses of Florence. What, in view of these unforeseen developments, was the Church to do? Should it abandon the task of controlling economic activities as hopeless, and therefore (since rationalization in such circumstances is inevitable) as unsuitable? Or should it attempt to grapple with the new conditions and the new problems and bring them under some kind of control? The first alternative did not suggest itself as even a remote possibility for some time to come. Instead, the theorists of the later Middle Ages set to work to attempt some kind of adaptation of theory to fact.

St. Antonino, archbishop of Florence (d. 1459), wrote in the thick of the new conditions, and his discussion of their relation to the old theories of usury and a just price is remarkable for its clear-sightedness and lucidity. He did not abandon the principles of the just price or the prohibition of usury, but by discussing afresh their particular application he endeavoured to lighten the impossible burdens which the traditional doctrine imposed on the fifteenth-century citizen of a great financial centre like Florence. In the matter of the just price he recognized three grades—a *gradus pius*, *discretus*, and *rigidus*. While a departure of 50 per cent. from the fixed price was always wrong and punishable, smaller lapses might be overlooked as not actually sinful. In the matter of money-lending he advised the clergy not to treat as usurers those who purchased government bonds, if they did this merely to maintain their station in

life and not to climb out of it. The final development of the theory of *lucrum cessans* was that any person in a trading centre could safely take interest, provided only that a short period of gratuitous lending was allowed to lapse.

This, in very inadequate outline, was the standpoint of religious thought on economic questions at the end of the Middle Ages. The advancing forces of economic progress had already made considerable inroads on the always ambitious and imperfectly realized ideal which attempted to subdue and control human appetites in order to make them take a worthy and proper place in a divine synthesis. If the ideal was to retain its former rough approximation to fact and not lapse into a set of meaningless platitudes, it would need in the near future a closer examination and a more adequate strengthening than the later Schoolmen had been able to give it.

CHAPTER II

THE SIXTEENTH-CENTURY ECONOMIC AND RELIGIOUS CHANGES

(a) THE ECONOMIC REVOLUTION

THE full significance of the economic changes of the sixteenth century—changes so great and rapid as to merit the term ‘economic revolution’—was for a long time obscured beneath the concurrent developments in learning and religion. This neglect on the part of posterity was due partly to the fact that contemporary records of the economic changes were not so accessible or so obviously impressive as those of the Renaissance and Reformation. It is true that to sixteenth-century business men, to peasants and craftsmen, and probably to governments, the rise of new forms of industry and agriculture was more important than the doctrine of Luther, the writings of Machiavelli, or the achievements of Leonardo da Vinci. But economic interests were still to a great extent inarticulate, and though the monuments which they raised were of equal significance for posterity they were less clear-cut and imposing. It

was left to the seventeenth century, the heir of the sixteenth-century economic revolution, to discuss in the works of its publicists the supreme importance of trade.

In the economic revolution of the sixteenth century the most important and dramatic single event was that of the Discoveries, the turning-point in a geographical process which was to usher in the oceanic era of commerce and transfer economic power from the Mediterranean to the Atlantic countries. This important event in the transition from medieval to modern history has often been misunderstood. Sometimes, the Discoveries have been regarded as an outcome of the Renaissance spirit of pure scientific curiosity, as disinterested voyages of exploration undertaken somewhat in the same spirit as an Everest expedition is undertaken to-day. On the other hand, they have been looked upon as the result of accident—the achievements of men who ‘seized the skirts of happy chance’ and sailed away in a mood of heedless adventure. It is to increase rather than minimize the significance of the exploits of Columbus and Da Gama to point out that their achievements were neither accidental nor disinterested. They were, says Mr. Tawney, ‘neither a happy accident nor the fruit of the disinterested curiosity of science. They were the climax of almost a century of patient economic effort. They were as practical in their motive as the steam-engine.’ According to the attractive epigram of Professor Pollard, the reason why men set themselves to make this great effort was ‘because the Turks are an obstructive people’.

The economic system of the early Middle Ages had been confined to Europe. Then, with the Crusades and the increase in economic achievements and aspirations, came the opening up of trade with the East through the Levant. But the opening was ludicrously narrow and inadequate, and this despite the fact that medieval Europe became increasingly eager to extend its trade with the East and developed trade routes which were all connected with and dependent upon it. The position of Europe in relation to the East at this time has been described as that of ‘a giant fed through the chinks of a wall’. Such was the situation even before the obstructive Turk, having

wrested the Levant from the control of the Byzantine Empire, proceeded gradually to block up all the existing trade routes to the East. Already in the first quarter of the fifteenth century men had begun to seek for the obvious but elusive remedy—the discovery of a sea-route to the East, by which means the Turks might be side-tracked and the economic hunger of Europe allayed. For what might have seemed endurable in the twelfth century appeared intolerable in the fifteenth, a time when industry and commerce were developing rapidly and economic appetites becoming keener. Portugal was first in the field, to be followed in the latter part of the century by Spain, who reaped the brilliant fruits of years of recorded and unrecorded toil and experience. But despite the fact that these two countries divided the control of the New World between them, neither was destined to enjoy its spoils. Probably the Portuguese base was not broad enough or strong enough, and certainly the Spaniards' interest and capacity in economic matters were not sufficient to enable them to exploit the new territory to their own advantage. These countries fell into the position of intermediaries through which other parts of Europe, more astute and ambitious, secured the real benefits. The centre of economic power now shifted northwards, to the Low Countries, Germany, France, and England.

The chief of these centres was the Low Countries, and in the Low Countries the greatest town was Antwerp, described by Professor Pirenne as *cette merveilleuse cité*,¹ of which the considerable political and cultural achievements were only the by-products of its economic greatness. The reason for its eminence was partly due to its geographical situation, and partly to the complete absence of any kind of economic restriction within its walls. When an inquiry was made at the beginning of Philip II's reign with the object of introducing some measures of control, the foreign merchants in Antwerp declared that: 'No one can dispute that the liberties granted to the merchants is the cause of the prosperity of this city.' The literal and symbolical core

¹ H. Pirenne, *Histoire de Belgique*, 1912, iii. 267, and seq., for a full description of Antwerp.

of Antwerp's activities was its Exchange, with the significant dedication: 'Ad Usus Mercatorum cujusque Gentis ac Linguae.' And here, indeed, came merchants and others of all nations (of which the most famous Englishman was Sir Thomas Gresham) to obtain money loans and credit on the Antwerp Exchange. Antwerp's importance as a commercial centre had been established before the Discoveries, and both then and later many commercial transactions were carried on there. The English Merchant Adventurers made it the depot for English cloth, and in 1503 the Portuguese government made it the depot for the spice trade. But the commerce of the New Age demanded credit and exchange and a whole network of intricate financial operations, and it was in these operations that Antwerp became supreme, an international banking centre without parallel in Europe. Ludovico Guicciardini, an historian and a friend of Machiavelli, declared in the middle of the sixteenth century that the traffic in money at Antwerp had passed all reasonable bounds and was diverting men from the more useful and productive business of commerce. The rates of interest were, he considered, far too high. During the years 1535 and 1536 these rates fluctuated between 13 and 20 per cent., while in 1541 they dropped to between 12 and 16 per cent. The total volume of financial transactions concluded on the Antwerp Bourse in one year was estimated in 1557 by the Venetian envoy Alberi (usually a shrewd observer) at 40 million ducats or crowns.

The people who made use of the facilities which Antwerp offered were, in part, great merchants and financiers like the Welsers and Fuggers. They were also representatives of governments like Sir Thomas Gresham. For the needs of the new national governments were great and their means of satisfaction small. As administration became national it became more expensive, and as governments became national they became more conscious of their separate identity and more capable of sustained conflict with their neighbours. Add to this the irritant of different religious beliefs, and there are some grounds for understanding how it was that in the dawn of the modern era

Europe was racked with more incessant and more serious wars than ever in the Middle Ages. In the sixteenth century only twenty-five years passed during which no considerable war was in progress. The drain on the national exchequers involved is indicated by the fact that the expenditure of the Spanish Crown in putting down the Netherlands rebellion averaged 2 to 3 million gold crowns a year; that is, a sum exceeding the yearly revenue of the Netherlands government during the most flourishing trade period. Yet the resources and organization of the national revenues remained everywhere medieval. It is little wonder that the statesmen of the period took full advantage of the facilities offered by the Antwerp Bourse. In France, the city of Lyons stood in the same kind of position as Antwerp, though its development owed much more to direct government encouragement and control.

The single name most closely associated with this new development of financial power is that of the Fuggers. The records of this amazing family tell how Jakob Fugger, after gaining experience in a German business house in Venice, decided to abandon the trade in spices, silks, and woollens, which had hitherto constituted the family business, and betake himself 'to various undertakings of greater profit, such as bills of exchange and mines'. In 1487 he advanced the sum of 23,627 florins to the Archduke of Tyrol, and received as security a mortgage on the best of the Schwartz mines and the whole province of Tyrol. This was the first step in the career of a firm which was ultimately to wield greater effective power than kings and emperors, who might march and countermarch on a Field of Cloth of Gold but who could not advance their policies one jot without the cash and credit supplied by a German banker. The event which marks the climax of the Fuggers' power and which best illustrates the important place which finance had come to occupy is the election of Charles V as Emperor. Maximilian, in his declining years, had been very short of money; so short, indeed, that the Fuggers declared that they lent him 3,000 florins to save him from going hungry. But his hunger did not prevent his making a determined effort to

procure his grandson Charles's election by means of wholesale bribery, carried out with the aid of a loan from the Fuggers. In 1517 there began, says Ehrenberg, 'a bargaining which lasted for years with each separate elector, a proceeding made all the more scandalous by the fact that the electors kept raising their terms owing to the French King's candidature'. The total amount of the loan which Charles's party found it necessary to raise amounted to 850,000 florins, of which the Fuggers contributed most, and were followed by the Welsers, the Genoese, and the Florentines. These and other details appear in an instructive document inscribed: 'Expenses incurred by the Emperor Charles V for his election as king of the Romans.'¹ Jakob Fugger, when he wrote pressing for payment, declared that it was 'well known' that Charles could not have gained his position without the help of the loan. In 1546 the firm of 'Anton Fugger and Nephews' had a capital of about five million guelders, the largest it had yet held, and almost certainly the largest ever held up to that date by any one firm. Meantime, in 1526, Jakob Fugger had died, after endowing almshouses and enriching the Church of St. Ann at Augsburg with statues and a family tomb. When this church fell into Lutheran hands, however, he told his nephews to see that he was buried elsewhere, for he was a firm adherent to the old faith.

Although financial developments were the most striking and significant mark of the economic revolution, commercial developments of the highest importance were also taking place. Comparatively new industries, such as mining, grew rapidly and were from the beginning organized on a complex and large-scale basis. Old industries, such as cloth-making, were organized on new lines. Above all, the trade of Europe with America and the East obviously called for a degree of efficiency and a concentration of power which had been unknown before the sixteenth century. These developments and their consequences are clearly seen in Germany, where they came to a climax at the

¹ For this document, see R. Ehrenberg, *Capital and Finance in the Age of the Renaissance*, English trans. 1928, p. 236. I am indebted to this book for most of the material relating to the Fuggers and to the financial position of Antwerp.

end of the fifteenth and the beginning of the sixteenth century. Old towns like Nuremberg, Ulm, and Augsburg (the home of the Fuggers and Welsers) became wealthy and prosperous cities. While the Fuggers were predominantly financiers, the Welsers concentrated on the importation of Eastern goods. Augsburg was well situated as a centre of distribution for all such goods as came into Lisbon and Venice, but the Welsers also had branches in Lisbon, Nuremberg, Antwerp, Danzig, Venice, Milan, Rome, Genoa, Berne, Zurich, Lyons, and Saragossa.

The change in trade routes, consequent on the Discoveries, made business increasingly difficult for the small merchant. While it had been possible for him to go to Venice for his goods, the journey to the Lisbon depot was too long and expensive to be profitably undertaken. The wealthier merchants, who could afford to adapt their business to the new conditions, organized themselves in companies, at first for the purpose of buying and transporting and later for the purpose of selling. These companies developed into monopolies, with all their attendant evils, and became one of the most frequent causes of complaint among conservative writers. Luther compared them to 'great pike' which swallowed up a host of little fishes. 'They have become lords over God's creatures,' he said, 'and free from all bonds of religion and humanity. . . . If monopolies are permitted to exist, then justice and righteousness must vanish.' The outcry against monopolies was the most concrete and forcible expression of a considerable opposition to the new economic developments. Other causes of social dislocation, such as the rise in prices, which became more pronounced as the supply of precious metals in America and the East was tapped, were at first too obscure and complicated to become even the objects of abuse. But the old sins of greed and ambition were recognized under their new cloaks and subjected to a considerable, if ineffective, attack. About 1500, Jakob Wimpheling writes that Germany was never more prosperous, but he adds that this prosperity is accompanied by the attendant dangers of extravagance and avarice. Geiler von Kaisersberg complains that the old class distinctions are vanishing, and that now the possession of money alone carries

the right to esteem. Christopher Kuppner, a Professor of Jurisprudence at the University of Leipzig, published a work on usury in 1508 in which he declared that magistrates should take proceedings against 'those wealthy merchants . . . who have agents at Vienna, in Russia and in Prussia, and who, when they learn that any particular article of trade has gone up in price, whether it be saffron, pepper, corn, or what not, instantly buy it all up to sell it again at whatever price they please. . . . Princes and rulers should not tolerate such dealings, and should be more careful for the general good of their subjects.' Lucas Rem, the merchant chronicler of Augsburg, writes of Hochstatter of his city (whose firm, with an investment of 900 gulden, earned 33,000 gulden in six years) that: 'He had the reputation of being a good Christian, yet he often oppressed the common man,' by buying up the whole of some necessary commodity and then offering it for sale at an excessive price. A curious document known as the 'Reformation of the Emperor Frederick III', which was probably published about 1523,¹ contains provisions aimed against the excessive development and exactions of monopolistic companies.

Agitation against the companies was so serious that it led to legislation, ineffective in the long run, but significant as indicating the trend of public and governmental opinion at the time. When the Diet of Nuremberg took up the matter in 1522, it sent out a questionnaire to the leading towns. The reply of the city of Augsburg is remarkably interesting as illustrating, with unusual clarity and sharpness of outline, the new organization and the new mentality which were slowly developing in opposition to the traditional conditions and outlook.

Christendom (or shall we say the whole world?) is rich because of business . . . [declares the city of Augsburg]. If a merchant is not perfectly free to do business in Germany he will go elsewhere to Germany's loss. . . . If a merchant cannot do business above a certain amount, what is he to do with his surplus money? It is impossible to set a limit to business, and it would be well to let the merchant

¹ See J. S. Schapiro, *Social Reform and the Reformation*, 1909, p. 101. Schapiro suggests the date 1523 as approximately correct.

alone and put no restrictions on his ability or capital. . . . Some people talk of limiting the earning capacity of investments. This would be unbearable and would work great injustice and harm by taking away the livelihood of widows, orphans, and other sufferers, noble and non-noble, who derive their income from investments in these companies ¹

The economic conditions assumed here are those in which large profits and surplus capital are an everyday occurrence. The arguments used to justify their acquisition and use are familiar enough to modern ears. Here in the sixteenth century is the plea or threat that capital, if restricted, will take itself elsewhere. Here, too, is the moving picture of widows and orphans and invalids sitting trustfully at home waiting for the benefits which will accrue to them through their best friend, the company promoter. The Diet of Nuremberg was apparently not suitably impressed by the picture. It passed a series of laws designed to check the evils of monopoly by limiting the amount for which companies might be capitalized, forbidding money to be loaned at high rates of interest, and regulating the price of commodities. Such legislation was hard to enforce, and it soon became a dead letter.

It is, of course, necessary to guard against a picture of sixteenth-century Europe in which Fuggers, Welsers, and Hochstatters take up the entire canvas. Nothing could be farther from the truth. Such men and the organizations which they directed were significant, but still highly exceptional. Their activities were confined to certain parts of Europe and certain departments of economic activity, and were still looked on with suspicion by governments and by many of those who commented on the economic situation. In Germany, the prevalence of a medieval agricultural organization was to be demonstrated only too painfully in the Peasants' War. In England peasants and craftsmen still formed the bulk of the population, and attempts, made from various quarters, to introduce a more

¹ This document is quoted by J. S. Schapiro, *op cit.*, p. 34 seq. See this book *passim*, for an account of commercial developments in Germany, together with conservative opposition to them.

efficient method of land cultivation than the old open-field system gave rise to a storm of protests and to some governmental action. Nor is it true that the detached and amoral view of economic developments expressed by the city of Augsburg was altogether representative of advanced business men. Even in the sixteenth century, it was not unknown for merchants to take legal opinion as to the permissibility of some practice under the canon law. In 1530, the Spanish dealers at Antwerp consulted fourteen Paris jurists as to whether the business practised there was contrary to the tenets of this law. The Fuggers (who numbered at least one really devout Catholic among their family) were, it was said, glad to pay the expenses of the theologian Eck when, in the course of his appeals to the universities (1514-16), he went to Bologna to try to obtain confirmation of his doctrine that usury, as such, was not unlawful and could be allowed to enter into the contracts between merchants which were common in his own country of Upper Germany.

The accusation that Eck's journey to Bologna was financed by the Fuggers in their own interests has never been definitely substantiated.¹ It seems more likely that his efforts to secure official approval of the giving and taking of moderate interest between merchants marked the beginning of yet another attempt on the part of the Catholic Church to adapt the content of its teaching on usury to changing economic conditions, while maintaining the principle that extortion was illegitimate. As in the case of the Protestant Churches, this adaptation was not attained without difficulties and heart-searching, or without some differences of opinion in the Catholic ranks themselves. Extor-

¹ See on this subject and for most of the information contained in the following paragraphs: B. Duhr, 'Die deutschen Jesuiten im 5%o-Streit des 16. Jahrhunderts', *Zeitschrift für katholische Theologie*, 1900, and E. Van Roey, 'Le Contractus Germanicus ou les Controverses sur le 5% au XVI^e siècle en Allemagne', *Revue d'histoire ecclésiastique*, Oct. 1902. The conclusions of these writers have been made available for English readers in H. M. Robertson's *Aspects of the Rise of Economic Individualism*, Cambridge, 1933, which also criticizes the views of Weber. Mr. Robertson's book has in turn been criticized by Father James Brodrick in a treatise entitled *The Economic Morals of the Jesuits* (Oxford University Press), 1934. A recent book by an Italian Catholic writer, A. Fanfani, *Catholicism, Protestantism, and Capitalism*, Eng. trans. 1935, should also be consulted.

tion still remained a sin, but the problem lay in deciding what, in view of the new economic developments, should be taken to mean extortion. The question was peculiarly difficult in a country such as Germany, where the onrush of the economic revolution obliterated old landmarks with disconcerting completeness and rapidity. It was a problem before which Luther held up his hands aghast, unable to grapple with its novelties and complexities. The Catholic Church, on the contrary, carried on its traditional policy of endeavouring to bring the new economic conditions under a system of control. The difficulties which lay in the way of devising a satisfactory system are indicated in a pronouncement made by Father Laynez, General of the new Order of Jesuits, about 1554:

As it is supremely necessary to avoid cheating one's neighbour in business or acting towards him unjustly, [he wrote] so it is extremely difficult to detect when such deception or injustice has place in commercial transactions. On the one hand, neither Scripture nor the ancient Fathers and philosophers deal with the matter in detail, and, on the other, the astuteness of the merchants, fostered by their lust for gain, has discovered so many tricks and dodges that it is hardly possible to see the plain facts, much less to pronounce judgment on them. This is the reason why modern writers, whether theologians or jurists, are so confused and at variance with one another. Finally, the matter being a question of morals only admits of a certain probability, because its nature is such that the least change in circumstances renders it necessary to revise one's judgment of the whole affair. . . .¹

The particular problem of commercial morality which caused so much heart-burning among the Catholics of Upper Germany was that of the 5 per cent. contract.² When St. Peter Canisius, the first German Jesuit, was appointed to the position of cathedral preacher at Augsburg, he was horrified at the usury which seemed to him to be rampant in the city and complained bitterly of certain preachers who attempted to condone it. Both

¹ I am indebted for this quotation to the work of Father James Brodrick, loc. cit., p. 124.

² This transaction involved a threefold contract: of partnership, of insurance of the principal, and of insurance against fluctuating returns. It was so common among German merchants that it was frequently known as the *contractus Germanicus*.

he and his fellow Jesuit, Father Elderen, sought advice from Laynez, their General, and received the reply that the circumstances of the transaction and intentions of the participants must be taken into account. Nor must the yoke be made unduly heavy. 'It must be seen', wrote Laynez, 'that the penitents are not driven to despair or frightened away from confession, and therefore we should in this matter follow not the severest opinions, but the general teaching of the theologians.'

In 1575 Johann Egolph, bishop of Augsburg, attempted to check the spread of usury in his diocese by circulating a letter to the clergy and their congregations forbidding usurious practices and condemning certain publications in which the 5 per cent. contract had been defended. Immediately, influential public opinion was up in arms, and representatives of the municipal council of Augsburg came to point out to the bishop that the taking of such interest was common in Germany and elsewhere, and was frequently sanctioned by the ecclesiastical authorities. After Egolph's death in the same year, his successor, Bishop Marquard, completely reversed his policy. Indeed, according to Marquard's own account, it was the opponents of usury who were now harried by the episcopal authorities; for, on hearing that two Jesuit priests had refused absolution to those who entered into 5 per cent. contracts, the bishop threw them into prison. The difficulty of avoiding both the Scylla of laxity and the Charybdis of undue severity was clearly felt by many members of the Catholic Church, and not least by the Pope himself. In response to requests for guidance from the German Jesuits, who had been distressed and perplexed by recent developments, Father Mercurian, the Jesuit General, consulted Pope Gregory XIII, who advised: 'that those who enter such a [5 per cent.] contract are not to be absolved by our brethren; but we must take care not to dispute publicly or preach on the matter.' In 1569 and 1586, when Papal Bulls promulgated a return to a more conservative and stringent attitude in the matter of usury, these measures were not enforced in Upper Germany.

While it would be impossible without further investigation to

generalize as to Catholic views and policy on economic questions in the sixteenth century, it seems clear that in Upper Germany the Catholic Church, and in particular the new Order of Jesuits, was being faced by a problem analogous to that which was to confront the Reformed Churches; and like them was finding that it admitted no easy solution.

(b) THE DOCTRINE OF THE REFORMERS

It was in a Europe striving vigorously yet often uneasily to exploit the new economic forces which it had created that there developed the two great movements of Renaissance and Reformation. A later parallel of this coincidence of rapid economic change with intellectual and spiritual upheaval is the coincidence of the Industrial Revolution in England with the Revolution in France. In each case, the conjunction of forces was fraught with prejudice as well as promise to the peoples involved. In the sixteenth century, both changes took place on an international scale, and came with remarkable suddenness on a world much more unaccustomed than that of the eighteenth century to the idea or fact of rapid change. 'The modern age', says Lord Acton, 'did not proceed from the medieval by normal succession, with outward tokens of legitimate descent. Unheralded, it founded a new order of things, under a law of innovation, sapping the ancient reign of continuity.' It is not necessary to deny the ancient roots of some of the changes in order to admit that the flowering was peculiarly sudden and brilliant, especially, perhaps, in the artistic and intellectual spheres. It is probable that the changes connected with the life of the mind and senses had, despite the invention of printing, little effect on ordinary men and women. The Reformation changes had a far wider influence, for they took place in an age when religion had not yet become departmentalized, and when it was a powerful force in determining men's attitude towards society and politics. Although the Reformation is regarded by some people to-day as the crucial point in the secularization of political and economic life, it is certain that to no contemporary observer can it have appeared in this guise. Despite variations from

Reformer to Reformer and from country to country, the idea that what was needed was to make politics and economics more and not less religious was at first common to all. The Roman Church was blamed by the Reformers not so much for the width of its embrace as for what they conceived to be the slackness of its grasp and the corruption of its methods.

Most of the generalizations and epigrams which have been made on the secularizing effects of the Reformation are liable to serious misconstruction. To compare Luther with Machiavelli, to claim that Louis XIV and Joseph II owed great and immediate debts to him, are attractive rather than strictly truthful paradoxes.¹ The secular, omnipotent, national state was as far as possible from being the intention of any of the Reformers. 'There was in the minds of the early Protestants', says Professor Allen, 'no idea of a State independent of any form of religion. Such a conception would have seemed to them a denial of God.' Nor was the idea of a national Church at first acceptable to the Reformers. They adopted it as a *pis aller*, when it became apparent that only with the aid of the national civil government could their cause triumph. Certain aspects of Reformation teaching mingling, often after considerable transformation, with completely alien elements, played a part in forming the modern State. Farther than this it seems impossible to go. Similarly, it is equally untrue to attribute to the Reformers any direct part in the secularization of economic life. Far from welcoming unrestrainedly the economic developments which had eaten, at first insidiously, later more boldly and voraciously, into the web of Catholic doctrine, they condemned certain aspects of these developments loudly, and, in Luther's case, almost hysterically. Sometimes it was the old canon law which was invoked against them. Sometimes, as at Geneva, an attempt was made to control them by a code of ethics and a system of administration far more intolerant than that of the Catholic Church.

It is a commonplace that, in the words of Sir Thomas Browne,

¹ See on this point, J. W. Allen, *A History of Political Thought in the Sixteenth Century*, 1928, chap. ii, especially pp. 28-9.

'as there were many Reformers, so likewise many Reformation's'. What is less obvious is that individual Reformers themselves were far from being consistent in their doctrines and actions. Luther, in particular, while the essential elements in his thought remained the same, continually changed their emphasis and construction as a result of changing circumstances and of his own impulsive temperament. Added to this was the fact that he was a very unsystematic thinker and writer. He said himself: 'I have the thing but not the word.' Thus it is not surprising that different individuals and interests, both in the sixteenth century and later, were able to read different interpretations into his writings.

While it is impossible to enter fully or critically into the question of Luther's work as a reformer and theologian, it is clear that certain of his religious views profoundly influenced the social aspects of his teaching, both in its commissions and omissions. During his early life he was impressed with what appeared to him to be the corruption of ecclesiastical institutions. He came to believe, therefore, that what was needed was not only a purification but a drastic cutting down of institutions which intervened between the two things in which it was possible to put eternal faith—the soul of man and the will of God. In the *Liberty of a Christian Man* he stresses the supreme importance of individual faith and the consequent priesthood of all believers. In his appeal *To the Christian Nobility of the German Nation concerning the Reformation of the Christian Commonwealth* he criticizes the sacramental system of the Roman Church. He refuses, also, to allow the idea of graded efforts towards perfection. No spiritual aristocracy must segregate itself from the world in monasteries. For since the ideal of achievement—the attainment of harmonious relations between the individual soul and God—is the same for all alike, the method must not differ. Nor is it permissible that, as in the Middle Ages, secular institutions and activities should be viewed as lower rungs of a heavenly ladder or baser parts of an organism. There is, according to Luther, a sharp antithesis between the life of the spirit and the external world of social organization. To attempt to remove it,

as in his view the Catholic Church had done, is to drag down the former to the level of the latter.

It is not surprising that such a view of man and God was but little concerned with politics and with the State. Luther took little real interest in secular government till its necessity as a bulwark both against Rome and the rebellious peasants was brought home to him. 'Just or unjust', he wrote of government in 1520, 'it is not worth while to give oneself the trouble to resist it, since it can do no real harm.' Professor Troeltsch points out that in the Lutheran ethic secular institutions are accepted but ignored. 'It is the duty of a Christian to accept them just as he accepts sun and rain, storm and wind.'¹ In its original purity, and perhaps always in its essentials, Luther's teaching represented a return to what seems to have been the attitude of the early Church—one of spiritual detachment from the world.

But to maintain consistently so high a degree of detachment was impossible for an impulsive, fiery nature like Luther's. He completely forgot his political detachment under stress of the Peasants' Revolt, and his economic detachment was forgotten almost as soon as it was formed under stress of the economic abuses which he saw around him. Himself the child of old-fashioned, peasant stock, Luther grew up amid the rapid development of commerce in Germany which was marked by the achievements of the Fuggers and the rise of monopolistic companies. This development was accompanied by a conservative reaction, some expressions of which have already been noted. Among these reactionaries Luther was the most extreme. The manifestations of economic growth which he saw around him filled him with unmingled horror and fury. It was not only that he condemned the abuses. He condemned the whole idea of a departure from traditional methods of industry and commerce. 'The monopolists', he says, 'succeed in driving out the small merchants by buying up large quantities of goods, and suddenly raise the prices when they are left masters

¹ E. Troeltsch, *The Social Teaching of the Christian Churches*, English translation, 1931, II, p. 503. The whole of this book is very important for an understanding of the social teaching of the Reformers.

of the field. . . . They have become lords over God's creatures and free from all bonds of religion and humanity. . . . If monopolies are permitted to exist, then justice and righteousness must vanish.' The fact that these companies brought goods to Germany from Calcutta and other distant places was, far from being an extenuating circumstance, only an additional reason for their suppression. For the goods they brought consisted largely of spices and silks and other luxuries for which a simple and God-fearing society would have no use. Luther's ideal was a patriarchal, agricultural society such as that depicted in the Old Testament. The patriarchs, like Abraham, bought and sold, but they dealt in cattle, wool, grain, butter, and milk, which were obvious gifts of God to man. Such dealing, says Luther, is natural and justifiable, but large profits from luxury trade are sinful and unnatural. 'How can it be possible', he exclaims, 'that any one can through righteous methods in a short time become richer than kings and emperors! . . . Is it any wonder that the monopolists are becoming Kings and we beggars?' The traditional doctrine of the just price is stated over again: 'Those who sell for as high a price as they wish . . . are the sources of all sorts of wide-spreading wickedness and trickery.' Prices which are fixed by public authority must be strictly observed, or, when there is no fixed price, recourse must be had to the common estimation.

Usury is, of course, a deadly sin for individuals and destructive to society. Luther repeats in his own words the medieval doctrine of the sterility of money, declaring that it is beyond his comprehension how 100 florins can gain 20 florins annually. What he does comprehend is that: 'it is indeed high time that a bit were put in the mouths of the Fuggers and other companies.' Again: 'the greatest misfortune of the German nation is easily the traffic in interest. . . . The devil invented it, and the Pope, by giving his sanction to it, has done untold evil throughout the world.' Before the peasants had infuriated and terrified him by taking some of his doctrines too literally, Luther was ready to champion their cause against the abuses of a practice which the later canon law had allowed. It was a common occurrence

in Germany at that time for a peasant to mortgage his land, and frequently the mortgage was high and the methods of the collector harsh. 'Any one who had a 100 gulden to invest', says Luther, 'could gobble up a peasant a year with no more danger to his life and property than there is in sitting near a stove and roasting apples.' For such practices he has nothing but condemnation. 'This may be called usury or not,' he says, 'but it does the same work, as lands, cities, lords, and people are burdened, fleeced, and ruined.'

What Luther hoped for was clearly a return to a far simpler way of life than that which he saw around him in Germany in the sixteenth century. Influenced partly by his peasant upbringing, partly by an Old Testament picture of patriarchal society, partly by violent and somewhat indiscriminate revulsion from the economic developments whose abuses he condemned, he would have liked men to return to an idealized version of the sort of life which had been lived in most European countries round about the eleventh century. Such a desire would in any case have been difficult to accomplish, and Luther gave no indication at all of how it could be brought about. For an essential principle in his teaching, and a principle which he fell back upon when pressed for definition of his generalizations, was that it was wrong for the Church to sully and degrade itself in the dust of ordinary human activities and secular strife. The means of salvation could originate only through the communion of the individual soul with God. Once this salvation was complete, the individual might and should make its results felt in secular activities. Indeed, a devotion to agriculture and simple industry was strongly to be recommended, as being a preventive of idleness or undue withdrawal from the world such as had been practised by the monks. But no guidance or control in everyday life could be provided by ecclesiastical legislation or institutions. All such sanctions were removed, as fostering a worldly spirit within the Church itself and leading inevitably to those insincerities and abuses which Luther had inveighed against in the Catholic Church. Definite guidance on any point could be obtained only from the Bible.

When Luther was confronted with the concrete problem of whether the authorities of Danzig should suppress usury, he apparently forgot his pungent denunciations of this sin and gave advice which was harmless and flavourless. 'The preacher shall preach only the Gospel rule, and leave it to each man to follow his own conscience. Let him who can receive it, receive it, he cannot be compelled thereto further than the Gospel leads willing hearts whom the spirit of God urges forward.'

Luther's requirements thus cancelled out each other in a remarkable manner. Individual conduct in economic and social matters was to be attuned to an almost fantastically high standard, but all means of ecclesiastical regulation in this sphere were to be abolished as instruments of Mammon rather than of God. As Professor Troeltsch has pointed out, Luther's ideal religious society approached more closely to what has been called the 'Church type', with a definite ecclesiastical organization and discipline, than to the 'sect type', which tends to leave everything to the inner workings of the spirit and rejects all institutions. But from the beginning Lutheranism had represented an extremely spiritualized version of the 'Church type', and this, added to Luther's own inaptitude for the business of organization, was not favourable to the creation of an efficient system of regulation even in purely ecclesiastical matters. One feels that, almost from the first, Lutheranism was destined to become an essentially 'private' sort of religion, producing individual characters of great fineness and spirituality, but not raising any definite standards or bulwarks which would be of help to the ordinary man in the rapidly changing conditions of the dawning modern world.

The withdrawal of Lutheranism from the world was due not only to its inherent characteristics but also to the force of circumstances, and these circumstances had the effect of helping to produce what was for Luther the completely unforeseen result of the dependence of the Church upon the State. From the beginning he had been inclined towards the doctrine of submission to the powers that be, partly because this was the traditional attitude of the Church, partly because such a doc-

trine fitted in well with his detached attitude towards worldly matters. Somebody must take over the duties which were too earthly for the Church to perform, and that body was obviously the State. But in the earlier days of his career as a Reformer Luther was under no illusions as to the actual conduct of most earthly rulers. In a pamphlet *On Secular Authority and How far it should be Obeyed*, published in 1523, he denounces the German Princes in the strong terms which he frequently employed when deeply roused. 'One should know that from the beginning of the world a clever prince has been a *rara avis*, and that a pious one has been still rarer. Princes are usually either the greatest fools or the greatest scoundrels in the world. . . .' Nevertheless the fools and scoundrels must not be resisted actively, since this is to open the flood-gates to rebellion and the indiscriminate violence of 'Herr Omnes'. Also, already in 1520, Luther had perceived that the success of his cause depended to a large extent on the attitude of the princes and had appealed 'to the Christian Nobility of the German Nation' to unite against Rome.

This was Luther's attitude to the secular power before 1525. In that year he was horrified and genuinely amazed at the revolt of the German peasants, and the way in which they appealed to what they conceived to be his doctrines for justification. The position was familiar enough in its essentials. For some time, the peasants had been labouring under an outworn system of medieval serfdom which was being made even more intolerable by the application, in some instances, of modern business methods to agriculture. Now, suddenly, what had seemed to them inevitable hardships became glaring injustices when viewed in the light of Luther's exhortations to a pure, Christian way of life.

It has been the custom hitherto for men to hold us as their own property, which is pitiable enough, considering that Christ has delivered and redeemed us all, the lowly as well as the great, without exception, by the shedding of His precious blood. Accordingly it is consistent with Scriptures that we should be free and should wish to be so. . . . We therefore take it for granted that you will release

as from serfdom as true Christians, unless it should be shown us from the Gospel that we are serfs.¹

Luther was not the first or the last religious reformer to be horrified at the translation or mistranslation of his theories into practice. In the seventeenth century the orthodox Puritans were to be aghast at the practical communism of the Diggers. Luther's indignation and apprehension were particularly acute in view of the violent nature of the Revolt and the considerable danger in which it placed the still insecure movement for Reformation in Germany. He decisively rejects the peasants' contention that the principles of Christianity should be applied here and now. That article in their programme which condemns serfdom as contrary to Christianity 'is directly against the Gospel. . . . This article would make all men equal and so change the spiritual Kingdom of Christ into an external worldly one. Impossible! An earthly Kingdom cannot exist without inequality of persons.' Even allowing for the frequent violence of Luther's expressions, his denunciations of the peasants are savage in the extreme.² He writes to a friend that: 'Peasants are no better than straw; they will not heed the word and are without sense, hence they must bear the crack of the whip and the whiz of the bullet.' In May 1525 he issued a pamphlet *Against the Thieving and Murderous Bands of Peasants*, in which he exhorts every one to unite in rooting out this dreadful wickedness among the peasants; 'whoever can, should smite, strangle, or stab, secretly or publicly'. The civil rulers, in particular, are exhorted to play an active part. 'Behold, Thou hast called me to be a prince or lord, hence I do not hesitate. Thou hast given me a sword with which to punish evil doers. . . . Therefore, dear lords, help and pity these poor folk and save them from themselves. Stab, slay, and strangle wherever you can.' The territorial princes, with their interest as landed proprietors at stake, were only too willing to obey.

¹ The Twelve Articles of the Peasants, 1525, quoted Schapiro, *op. cit.*, p. 110. Quotations from Luther's *Works* will be found in Schapiro's book, *passim*.

² The peculiar savagery of Luther's attitude to the rebellious peasants may be partly accounted for by the fact that he himself was the son of a 'kulak' turned miner, who had become prosperous enough to pay for a large part of his son's training.

After 1525 Luther placed increasing reliance on the civil power, and, so far as the immediate success of the Reformation was concerned, he was probably wise. The power of the great territorial rulers of Germany, the princes, was already increasing for reasons quite unconnected with Lutheranism. But it was advantageous to them to gain a religious sanctification for their authority, to hear from Luther that 'the hand that wields the secular sword is not a human hand but the hand of God', and from Melanchthon that the prince is the most noble thing on earth. It was equally advantageous for Lutheranism to gain the support of a rising force, Luther's intention being that each power should work, in its own sphere, for a common ideal—the maintenance and furtherance of the reformed religion.

Luther had no intention, no premonition, that the Church would become dependent on the State. Yet, from the very nature of the partnership, this was bound to happen. One of the partners had all the capital, all the administrative machinery, and the force of a rising tide on its side. It found the support of the other valuable in giving a religious flavour to its activities, and, since earlier criticisms of established authority were forgotten by both sides as a youthful indiscretion, in giving religious sanction to the *de facto* political and social order. Rebellion could now be treated as heresy. Later, the pagan empiricism of Machiavelli and his successors in the realm of political thought converged from its very different source with some of the implications of Luther's doctrine and helped to create the modern State, with its secular political and economic institutions. Such a consummation was as far as possible from being the deliberate intention of Luther himself or his later followers. The spirit of reform, of individual striving after a truer contact with God which he had invoked, was not entirely subdued or harnessed to a State Church. It was to crop up again in new and untrammelled forms, but always accompanied by a tacit consciousness and acceptance of social impotence.

In this matter of the social implications of religion it is impossible to imagine a greater contrast than Calvin and Luther. Where Luther had been idealistic, hazy, and finally

subservient, Calvin was realistic, clear-cut, and militant. Starting from the vantage-point of a later stage in the development of Reformation doctrine, his natural bent seems to have been in the direction of logical completeness, lucidity, and realism, and these characteristics were strengthened by his training as a lawyer and his considerable experience of practical affairs. The implications of Calvin's theology were of a more active character than those of Lutheranism, and this, added to his own vigour and practical ability, led to an almost military conception of the necessity for untiring, disciplined action. It is significant that many of Calvin's letters are couched in military terms, with talk of soldiers, armies, and battles. The active nature of Calvinism helps to account for its wide penetration in the countries of western Europe, where it assumed varying forms according to differences in social and political environment.

It is impossible to do more than give the briefest and most imperfect indication of Calvinistic theology, an indication which is necessary in view of the considerable practical implications of a sixteenth-century creed, particularly of an active creed like Calvinism. The central point in this theology was the doctrine of predestination. This doctrine was not original. It was taken over from Luther and developed to further and more logical conclusions. Calvin's idea of grace is that of a gift bestowed or withheld quite arbitrarily by God, the proof of its possession consisting not, as with Lutherans, in inward depth of feeling but in energetic and continuous action. In its later manifestations, this doctrine is well illustrated by certain phrases in the Westminster Confession of 1647. 'Man, by his fall into a state of sin, hath wholly lost all ability of will to any spiritual good accompanying salvation. . . . By the decree of God, for manifestation of His Glory, some men and angels are predestinated unto everlasting life, and others foreordained to everlasting death.'¹ The utter ruthlessness of this teaching can rarely have been surpassed. It left men helpless before an omnipotent God, and

¹ M. Weber, *The Protestant Ethic and the Spirit of Capitalism*, English translation, 1930, p. 99 seq. This book should be consulted throughout, especially for the development of Calvinistic doctrine in the seventeenth century.

helpless towards each other. No human sympathy, companionship, or aid could add or detract a single word from the inexorable law. Surrounded by his fellow-beings, a man was yet more spiritually isolated than St. Simeon Stylites on his pillar. There are in the writings of seventeenth-century English Puritans specific warnings against the dangers of relying on human aid. Baillie, an unpleasant character who cannot one imagines have attracted confidences himself, advises the faithful to trust nobody and say nothing compromising to any one. Even Baxter warns men against the danger of trusting too much to one another.

In its original form, the dogma of predestination presented a formidable practical difficulty—how were the chosen to be distinguished from the damned? Distinction was urgently necessary, for on it depended such important matters as admission to the Sacrament, which occupied a central place in the Calvinist ecclesiastical system. By the time of Beza, Calvin's successor at Geneva, a solution had been found to the difficulty. The elect were held to be indicated by their devotion to a life of righteous activity. Although not in the first instance, and never completely in theory, was such activity looked on as a passport to the state of grace, in practice this development was very likely to come about, especially when Calvinism took root and grew into new forms among the industrial and commercial bourgeoisie of the Low Countries and England.

As Professor Troeltsch has pointed out, there was a twofold tendency in Calvinism, inclining on the one hand towards individualism and on the other towards 'Christian Socialism'. During the later stages of its development, in England and Holland in particular, it was the individualistic tendency which was prominent. But in the sixteenth century, and certainly in the mind of Calvin himself, the collectivist tendency was the more influential. It sprang from the same principle as the exhortation to individual activity—the desire to make effective here and now the consequences of grace. It was not enough for the chosen to accept the fact gratefully, they must make it felt; they must, said Calvin, 'prove themselves Christians by holiness of life'. It was the business of the Church to see that this

consummation was attained, and thus Zwingli at Zürich and Calvin at Geneva worked out a code of Christian conduct in social and economic matters of which the stringency has rarely been surpassed.

Where Luther had shrunk from facing and controlling the mundane side of man's nature, Calvin was only too eager to undertake the task in conjunction with the secular authority. In words which recall those of Pope Gelasius, he points out that man has two sides to his nature and therefore needs a double régime, civil and ecclesiastical. Each department has its own functions, but their ultimate aim—the furtherance of the Kingdom of God—is identical, and they must therefore work together. 'These two orders constituted by God are not at all repugnant, like water and fire, which are contrary; but they are matters conjoined, so that the one taken away, the other suffers much. . . .' While it is right and orderly for the functions of Church and State to be kept distinct, each must help the other in certain matters. The ecclesiastical authorities must play a considerable part in social administration, as for instance in matters connected with the Poor Law and the prevention of plague, while the State on its side must put down idolatry, blasphemy, and other 'scandals of religion'. But there must be no attempt to make the Church dependent on the State. Calvin indignantly denounces the 'blasphemies' which have named Henry VIII head of the Church.

It does not need a very close examination of Calvin's views to realize that what he wanted was a theocracy, and it is in the nature of a successful theocracy to assign predominating power to ecclesiastical persons. In most ages and places such an ambition could never have been translated even into imperfect reality. In sixteenth-century Geneva, Calvin was able after a considerable struggle to secure under the rule of himself and Beza a fulfilment of his ideal which was surprisingly successful. There were circumstances at Geneva which made it an unusually suitable place for an experiment of this kind. The existing constitution of the city was framed to allow both civil and ecclesiastical authorities to play a part in its government. Calvin

was able to build on the already familiar idea of the co-partnership of the two powers, but his aim was to build in such a way as to assign predominant influence to the ecclesiastical power. He was aided in this by the fact that the position of Geneva in the middle of the sixteenth century was extremely precarious. It was hemmed in by hostile Powers waiting their chance to attack, and its system of political government was imperfectly developed. The support of a well-organized, militant Church led by a man of Calvin's ability was not to be despised, and, after a struggle to overcome the opposition of the older families in the city, the Church did in fact become the backbone of the Genevan State.

By nature, training, and experience, Calvin was convinced of the necessity of a firm, well-organized government in Church and State. Possibly he was influenced by the fact that the Reformed faith in its Lutheran form was already taunted with allowing the sort of liberty which degenerates into licence. Certainly he was determined that at Geneva the administration should be as watertight as was humanly possible. The two chief instruments which he used were the Ministers, organized as the Venerable Company, and the Consistory, composed of ministers and representatives of the lay community. The latter body possessed extensive powers over every human activity, however intimate or trivial. It was a judicial tribunal which sat every week to examine charges of misconduct or immorality and to pass sentences from which there was no appeal. Although the secular arm could not interfere, it must assist. The guilty might be handed over to punishment according to the secular law, and if any offender refused to appear before the Consistory a civil officer was sent to fetch him. Thus, a young woman who sang profane songs was banished and another who committed the aggravated offence of singing them to psalm tunes was scourged. Card-playing and extravagance of all sorts were punished, and cases connected with the marriage-law took up much of the time of the Consistory. It goes without saying that among the departments of human conduct which came up for review was that of economic transactions. The day was far distant when

the name of Calvin was to stand for laxness in economic matters. Indeed, as will be seen, it was in defence of economic regulation that Calvin's successor, Beza, fought some of his fiercest battles with the civil authorities.

The attitude which Calvin adopted towards economic matters was very different from that of Luther. Where the German peasant had raged impotently against the horrors of an advancing commercialism, the French lawyer, taking his stand at a later date, accepted the new developments calmly and attempted to bring them under effective control. At Paris, Strasbourg, and Geneva, Calvin had come into contact with commercial and financial enterprise on a large scale and did not find it altogether reprehensible. Properly regarded and properly conducted, such enterprise could, he thought, be made to contribute to the glory of God. In his sermon on Deuteronomy he pointed out that God had never intended to condemn all profit-making enterprises. 'Car que serait-ce? Il nous faudrait quitter toute marchandise: il ne serait point licite de trafiquer de façon que ce fust les uns avec les autres.'¹ Nor did he insist, in the manner of Luther and most of the medieval writers, that industry should remain in or return to a simple, traditional system. It was at his instigation that, with the help of a State loan, the manufacture of cloth and velvet was introduced into Geneva in order to provide work for the poor and unemployed. He advised ministers to find out something at first hand about business so that their advice on matters connected with it might be realistic.

Calvin accepted the sixteenth-century economic environment in order to control it, and the control which he and Beza exercised at Geneva, and which they intended to be exercised elsewhere, was more effective than that of the medieval Church and more rigorous than any system in modern history, except possibly the control of the Soviet Government under the Five-Year Plans. Calvin writes in his *Institutes* that: 'no member [of the

¹ Quoted by H. Hauser, *Les Débuts du Capitalisme*, Paris, 1927, p. 51. I am indebted to this book for most of the quotations from Calvin on the subject of usury. Owing to the importance in this subject of fine shades of meaning, I have left the quotations in the form used by Hauser, so as to avoid introducing errors or distortions in translation.

Christian body] holds his gifts to himself, or for his private use, but shares them among his fellow members, nor does he derive benefit save from those things which proceed from the common profit of the body as a whole.' On the lips of some religious teachers this speech would have been an amiable generalization. On Calvin's lips it was the outline of a carefully thought-out policy. In considering his most famous contribution to economic thought—his so-called defence of usury—the (to him) necessary corollary of stringent control of individual activity must always be borne in mind.

Calvin's opinion and teaching on usury are contained in his well-known letter to Claude de Sachins and in various other letters and sermons. Their main outlines are clear and forcibly expressed. As Professor Hauser has pointed out, he brought to his task the qualities of a theologian, a moralist, a humanist and philosopher, and a jurist. From a practical point of view alone he was convinced that a total prohibition of usury was unworkable, but in this he was far from being original. The same fact had been tacitly or openly admitted over and over again by medieval thinkers. Where Calvin differed from them, and went farther than most of his contemporaries, was in penetrating to the centre of the medieval prohibition of usury—the teaching of the Bible and the Schoolmen—dissecting it, and showing that as it had been interpreted it was both false and illogical. The supposed Scriptural prohibition of usury rests, according to Calvin, on an error of translation. The Hebrew word which has been translated into the Latin *usura* has, in fact, a much more specialized meaning. It refers to a *morsure* or *rongeure*—'ce qui mord les povres gens et ce qui les ronge'. What the Biblical prohibitions frequently refer to is not interest, as such, but the abuse of it. Again, it is necessary to take into account the context of these prohibitions. Sometimes, when it is their intention to forbid a man to 'devour' his brother, they have a constant and eternal value. At other times, when the Jews are forbidden to practise usury among themselves but are allowed to practise it towards strangers, the law has a temporary and relative value. In short, it is imperative to take into account the whole setting

of early Jewish society and to compare and contrast it with sixteenth-century European conditions.

Finally, Calvin proceeded to the very core of the medieval prohibition of usury and examined the doctrine of the sterility of money. It was reluctance finally to abandon this doctrine which had prevented even such advanced medieval thinkers as St. Antonino from effecting any breach of principle in the usury prohibition. It has sometimes been pointed out that so many exceptions had been made to the original doctrine that it resembled rather a series of gaps than an effective hedge. But the foundations of the hedge remained and were able to oppose some slight resistance to the advance even of such men as the Fuggers. Calvin uprooted them, and then proceeded to build up, by a system of rigid discipline, a barbed-wire fence which seemed at first sight more formidable than the old hedge.

The doctrine of the sterility of money received short shrift from Calvin. The idea that money almost alone among the important commodities is unfruitful will not, he finds, survive the most cursory examination along realistic lines. 'L'argent n'engendre point l'argent? La mer, quoy? la terre, quoy?--L'argent n'est-il pas plus fructueux ès marchandises qu'aucunes possessions qu'on pourroit dire?' And, in a final burst of sarcasm: 'Certes, je confesse ce que les enfants voient, de sçavoir que si vous enfermez l'argent au coffre, il sera stérile. . . . Telles subtilitez de prime face émeuvent. . . . Elles esvanouissent d'elles-mesmes, car elles n'ont rien de solide au dedans. . . .'

Calvin was not altogether original in his views upon this matter. Melanchthon and Bucer had already conceded some of the same points, and Dumoulin, referred to by the C^{iv}ilian in Thomas Wilson's *Discourse on Usury* as 'a notable lawyer undoubtedly',¹ treated the question with the same objectivity. But the eloquence and directness of Calvin's writing, coupled with the great impression made by his personality and achievements at Geneva, led to his views being frequently cited, par-

¹ T. Wilson, *A Discourse upon Usury*, 1572, edited with an Introduction, by R. H. Tawney, 1925, p. 343 Mr. Tawney's introduction contains an invaluable discussion of sixteenth-century money-lending and banking.

ticularly by his followers in the Reformed religion. It was natural that what was comparatively new and striking in his attitude to usury should make a far greater impression than what was traditional and conservative. And, when his views were sought by his followers in commercial and industrial circles as justification for their activities, it was inevitable that only the relevant parts should be stressed.

Yet, even putting aside the evidence of stringent control of money-dealings at Geneva, it is clear from Calvin's writings that he was very far from intending to justify usury at all times and places. 'Je ne voudrais point, en la justifiant, favoriser l'usure,' he writes, 'et je souhaiterais que le nom même en disparût de la terre, mais je ne puis, sur une matière de telle importance, en dire plus que n'exprime la parole divine.' Calvin foresaw that in finally removing the central barrier to usury he was opening flood-gates which might unloose a torrent hard to control. Men would take advantage of his refusal to condemn usury, as such, in order to indulge in *une licence effrénée*. How then could such unrestrained activities be bridled? For Calvin never for one moment considered the possibility of leaving economic appetites unchecked. In the first place, no interest must exceed a legal maximum fixed by the State. Then, loans should always be made to the poor, who need them badly though they probably cannot repay them, sooner than to the rich who can easily pay for the luxury. Calvin admits that it is more common for men to lend where there is hope of prompt repayment, but he does not approve of the practice. 'Plus tost', he says, 'il falloit ayder les pauvres vers lesquels l'argent est en dangier.' While money-lending can be a necessary and useful occupation, it is not among the highest callings and should not be adopted as a regular profession. 'Je n'approuve pas si quelqu'un propose faire mestier de faire gain d'usure.' Further, it is not sufficient to consider the transaction, however altruistically, from a purely private point of view. The public good must also be taken into consideration. In the light of these statements it is easy to understand how Fenton could write in 1612 that Calvin dealt with usury as an apothecary

with poison, and how Brentano could protest that here was no capitalist *apologia* but a return to the doctrine of the medieval Church.

Calvin's teaching on usury and economic transactions in general cannot be considered apart from his work at Geneva, where, during the later days of his own rule and that of his successor, Beza, his ideal of a Christian State was translated into what was, considering the difficulty of the task, remarkably effective practice. It has been pointed out that conditions at Geneva were favourable to Calvin's experiment, but nevertheless it was only by the end of his lifetime (1509-61) that he had succeeded in raising the power and prestige of the ecclesiastical authorities above that of the civil government.

Calvin had been trained as a lawyer, and in his role of legislator at Geneva he seemed to regard the Bible as a sort of legal text-book. That part of the Bible which fitted in best with his temper and views was the Old Testament, and especially its more primitive and dramatic portions. Mr. Tawney has pointed out that the achievements of heroes and the fate of sinners in these pages worked on the tense imaginations of Calvin and his followers as did the lives of the ancient Roman heroes on the leaders of the French Revolution. In 1550 a second offence of the sin of adultery at Geneva was punished by death,¹ and despite the frequent protestations and evasions of the civil authorities the Ministers maintained an implacable attitude towards this offence. Extreme severity was, they maintained, imposed by the Divine Law as revealed in the Old Testament and any departure from it would be punished by God. When the Council in 1574 pardoned Jean de Louvancourt, an adulterer, Beza protested emphatically and ended up with a threat to resign unless his protests received attention. Card-players were pilloried, and a tirewoman, a mother, and two bridesmaids were arrested because they had adorned the bride too gaily. Extravagance in dress was continually at-

¹ E. Choisy, *L'État Chrétien calviniste à Genève au temps de Théodore de Beze*, 1902, p. 30. I am indebted to this valuable book for the following account of Calvinistic discipline at Geneva.

tacked. In 1585 the Consistory occupied itself with the question of extreme and immodest raiment, and Beza and his colleagues threatened to refuse the Sacrament to those who came unsuitably attired.

In the same category as adultery, among sins meriting the severest condemnation, came the evils of excessive interest and monopoly and extortion. The economic development of Geneva was advanced enough for it to have experienced the new forms of commerce and finance, but not advanced enough for these to have grown to totally unmanageable proportions. In this, as in other respects, it was an unusually suitable field for the exercise of Calvinistic control. Credit and banking played a very important part at Geneva, partly because of its position as a financial centre after the downfall of Lyons in the Wars of Religion, and partly because of its precarious situation among hostile neighbours, which necessitated government borrowing on a large scale. Further, its position as a city of refuge for persecuted Protestants made it necessary to create conditions which would prove attractive to immigrants. In 1565 there was a proposal to raise the legal rate of interest from 6 to 8 per cent. This suggestion was opposed by the Ministers, who conceded, however, that an excessively low rate of interest might tempt capital to leave the town. It was finally decided to retain the existing rate of 6 per cent. but to refrain from punishing those who exceeded it by a mere 1 per cent., especially in cases where the loan was made to a merchant. The Ministers were careful to see that this extension of liberty was not made a cloak for licence. When it came to the ever-open ears of the Consistory that a man was known to make a regular business of lending at excessive rates, they demanded a more rigorous punishment of usurers. They proposed that in the case of a second offence the culprit should be publicly excommunicated from the pulpit, stressing the fact that this penalty was aimed chiefly at those who took advantage of the poor.

In 1570 a bank was established at Geneva, and, with the consent of the Ministers, the rate of interest which it might exact was fixed first at 10 per cent. and later at 12 per cent.

Among its other activities the bank made short-term loans to needy individuals at the latter rate. When the Ministers came to consider this it appeared to them an intolerable abuse. They complained to the Council, which took notice of their complaint and went some way towards meeting it. In 1580 the Genevan merchants proposed to establish a second bank, which would make the city a very important financial centre and would have the effect of attracting to it strangers from all parts whose presence would strengthen its political position. The project met with approval from the Council and was then discussed by the Ministers. They admitted that it had many attractions and would be a means of enriching the town. But on looking into it more closely they had no hesitation in condemning it. They feared the advent of the *abus, désordres et dissolutions* which they had noticed in great financial centres like Venice, Paris, and Lyons. Speaking in their favourite role of Old Testament prophets, they admonished God's people to be content with their lot and not to covet the riches of their neighbours. If the bank were established, finance might attain such disproportionate importance that people would say that at Geneva 'Chacun est banquier', and that the city was peopled only with money-lenders. This would undoubtedly be a dreadful thing. In short, as Choisy says, the Ministers thought that Geneva would be stronger by remaining poor, and for the time carried their point. A strange position for those who were to be hailed at a later date as the apostles of economic licence and unrestrained 'capitalism'.

The Ministers took a strong line in opposing the project of a bank largely because they already had to face at Geneva some of those evils which they had condemned. In 1580, Beza and his colleagues denounced from the pulpit the behaviour of some bankers who lent money at 10 per cent. to poor people and showed no mercy on their failure to pay. The Ministers began by preaching in general terms against the sin of lending money at such rates. When their moderate exhortations failed, they went further and denounced the guilty bankers in violent terms, comparing them to thieves and brigands, wolves and tigers, and

declaring that they deserved to be put in chains and stoned out of the city. One of the most prominent magistrates, Varro, was unwise enough to wear the cap and complain bitterly to the Council of its being offered to him. The Ministers, he said, had over-stepped the bounds of their authority. He was probably unwise to draw attention to himself and his grievance. Whatever the private feelings of the Council may have been, they were forced to take a strong line in public. They agreed with the Ministers in finding Varro guilty of taking excessive interest, and fined him 25 florins in addition to confiscating the 50 crowns which he had lent at 10 per cent.

While the sin of excessive usury roused the Ministers to fierce indignation by reason of the proportions which it assumed, the sin of selling at high prices and cornering supplies of necessary commodities appeared to them, if possible, even more heinous, by reason of its unequivocal prohibition in the Old Testament. Beza declared that the Ministers had no qualms in citing before the Consistory and forbidding the Sacrament to any one and every one who raised the price of corn to excessive heights, for they were acting on the irrefutable authority of Solomon that: 'cursed is he who holds up his corn supply in time of scarcity.' In 1574 he accused the members of the Council, from the pulpit, of having countenanced and even supported those who were responsible for raising the price of corn. Some days later the Venerable Company, convinced that matters were very rotten in the State, came to lay their complaints before the civil government. The root of the trouble was, of course, slackness in religious matters. There were actually people who walked about the Court of St. Peter during sermon-time. From this cause sprang various crimes and misdemeanours—extravagance in dress, dissolute behaviour, the exaction of excessive interest, and, above all, those crimes of monopoly and extortion among traders in vital commodities so plainly condemned in the Proverbs of Solomon. They added that these malpractices had given rise to the curse, now commonly uttered; '*Malheur à ceux qui nous amènent la cherté et sur ceulx qui n'y mettent de l'ordre.*' The Lord had heard this well-merited curse and

had sent the plague as a just punishment. The reply of the Council to these complaints was evasive and unsatisfactory and later in the year Beza and his colleagues returned to the attack, criticizing in their sermons the dearness of corn, which was more marked than ever, and attributing it to avarice. Then Beza informed the Council that the people were murmuring openly against the city magnates, who carried on the corn trade and whom they now guessed to be the authors of their misfortunes. He added that certain well-intentioned men had offered to contribute a large sum of money to buy corn outside Geneva and sell it at cost price to the people. The Council was obviously indignant in face of an accusation which included some of their number, yet even now the authority of the Ministers was so great that they dared not openly flout it. They thanked Beza for his information, blamed him for not giving it sooner, denied his accusations, and declared that it was he who by his preaching had been the real cause of the popular discontent.

Rich and poor alike came under the same remorseless rule. Like their betters, the poor must work hard and conduct themselves in an orderly disciplined fashion. Calvin condemned indiscriminate almsgiving, and advised the ecclesiastical authorities to carry out a regular visitation of poor families to make sure that they contained no evil-livers. In 1586, when Geneva was hard pressed, the Council decided to expel some of the poor from the city. The Ministers protested that they should not expel those who were of good repute or who were refugees for religion's sake. On the other hand, they fully concurred in the expulsion of those who were evil-livers. To turn away such men was to turn away the wrath of God. Zwingli, at Zurich, worked out a fairly complete scheme for the organization of poor relief. Begging was strictly forbidden, needy travellers could have relief only on condition they left Zurich the next day, no one could claim relief who was addicted to extravagant habits or card-playing and who was not a regular church-goer. The impotent poor—the sick and the old—were to be looked after in special institutions. The attitude of the Swiss Reformers towards the poor was a logical part of their whole view of

society, in which hard, regular work was necessary for the good of the soul and extravagance and idleness were sternly repressed as lures of the devil. It is peculiarly interesting, however, to note their view of the discipline of the poor, for this was to strengthen and harden when the discipline of the rich was being abandoned as an impossible and unnecessary task.

From the beginning, the task of imposing a Christian rule on the magnates of Geneva was not an easy one. The supremacy of the ecclesiastical authority was achieved only at the price of constant vigilance, and was resented especially keenly in economic matters. Here, on more than one occasion, the Council accused the Ministers of overstepping the bounds of their authority, and were answered in hot indignation by Beza that the Ministers were not 'dumb dogs' to be silent in the midst of crying scandals. But after the death of Beza in 1605 the silences were more frequent, till at last the theocracy of Calvin became a dead letter. It is impossible not to view its downfall with mixed feelings. On the one hand, Calvin and Beza had dared all for an ideal and had not shrunk from enforcing its implications on those in high places. On the other hand, the attainment of what they conceived to be a holy way of life entailed some petty interference and much harsh repression. Torture was frequently employed, and 150 heretics were burned in sixty years. In an age which had opened new windows to light and knowledge, Calvin's ideal Church-State rested on a conception of humanity far narrower than that of Aquinas.

Such a system, difficult to enforce even at Geneva, was impossible in countries where the political government was strong and general conditions unfavourable. There, Calvinists were in a minority, and were often forced to adopt expedients and yield to developments very different from the intentions of their founder. Rebellion might follow, as in France, or a tacit withdrawal from all attempt to control social relationships, as in England. The 'Christian Socialism' aspect of Calvinism dropped into the background and its latent individualism came to the fore. This development was very greatly accentuated by the strong affinity which existed from the beginning between

the Calvinist type of Reformed religion and the rising industrial and commercial classes. In the Low Countries, for instance, it was in the trading centres that Calvinism found the greatest number of its adherents. This affinity was due largely, in the first instance, to the fact that the industrial and commercial classes were town-dwellers and therefore more easily inclined than conservative country folk to receive the new doctrine of Calvinism, which seems, indeed, to have been a peculiarly urban religion. As time went on the connexion became more direct. Professor Troeltsch has pointed out that, just as the social and economic system of the Middle Ages provided a favourable setting and basis for the ideals of medieval Christianity and was in return strengthened by them, so the rising commercial classes found much in the Calvinist ethic which suited their temper and aspirations and in return provided it with strong allies.

The whole question of the connexion between Protestantism, especially in its Calvinistic forms, and the rise of modern capitalism¹ has given rise to great controversy, ever since the publication at the beginning of this century of Max Weber's provocative thesis that the reasons for the development of modern capitalism must be sought for in psychological rather than in purely material regions. The main cause underlying capitalist activity in the early modern world seems to Weber to be the inspiration caused by Calvin's doctrine of a 'calling', his preaching of what has been described as an 'intramundane asceticism', a pursuit of salvation by means of devotion to secular activity. Weber's thesis has been criticized from various quarters,² and at least one point seems to emerge clearly from

¹ Which has been well defined as 'an economic system, resting on the organization of legally free wage-earners, for the purpose of pecuniary profit, by the owner of capital or his agents, and setting its stamp on every aspect of society. . . .' R. H. Tawney in a Foreword to Weber's *Protestant Ethic and Spirit of Capitalism*, loc. cit., p. 1 (c).

² e.g. by B. L. Brentano, *Die Anfänge des modernen Kapitalismus*, 1916; F. Rachfahl, *Kalvinismus und Kapitalismus* (Internationale Wochenschrift, 1909, i. III); H. See, 'Dans quelle mesure Puritains et Juifs ont-ils contribué au progrès du capitalisme moderne?' (*Revue historique*, vol. clv, 1927). For a general discussion, see Talcott Parsons, 'Capitalism in Recent German Literature' (*Journal of Political Economy*, Dec. 1928 and Feb. 1929).

the discussion—that the origins of capitalism are complex and diverse, due to changes in economic fact as much as to changes in economic outlook; and, in the mental and spiritual sphere alone, drawing their inspiration from more than one source. Brentano emphasizes the importance of the empirical, materialistic political thought of Machiavelli and his imitators in creating a temper favourable to the unchecked development of capitalism, while Professor Pirenne suggests that the spirit of enterprise and business activity which marked the sixteenth century was a particular manifestation of the Renaissance spirit of adventure and curiosity. ‘L’esprit qui se manifeste dans le monde des affaires est ce même esprit de liberté qui anime le monde intellectuel.’ But most of Weber’s critics allow that there was, at some points and in some times and places, a connexion between the Calvinist outlook and modern capitalism. Sanctification rather than creation was the role played by Calvinism in the development of what has been called ‘the modern business ethic’. But even so modified a role was far from being intended or foreseen by Calvin himself, and was not conspicuous at Geneva or anywhere else where the original ideal was put into something like effective practice.

While considerable and by no means unsuccessful attempts were made by the Calvinist Churches in France and Scotland to enforce the social regulation which had been achieved at Geneva, it was in New England that, for a time, the nearest approach was made to the ideal of Calvin. Here, untrammelled by the hindrances which lay in the way of achievement of a godly life in the old world, the seventeenth-century Puritans were able to write on a clean slate the maxims inculcated by their religion. They were influenced in their writing of economic maxims by the fact that, as a small body of settlers in a strange land, hedged round with aliens, it was expedient for them to pool resources and to postpone the luxury of unrestrained individualism until a later date. In the early days of the Puritan settlements there was little distinction between Church and State, and both were agreed on this matter of economic control. Acts regulating wages occur in almost all the Puritan

colonies, and in Boston an Assize of Bread was enforced throughout the later seventeenth and eighteenth centuries. In some places, as for instance at Boston, there was close supervision and stringent regulation of markets, and gristmills were commonly operated under public control. In Connecticut, where, owing to the shortage of metal currency commodities were used as a medium of exchange, the problems created thereby were taken in hand by the public authorities. The Massachusetts government undertook a more difficult task in attempting to enforce what really amounted to the medieval doctrine of a just price. It decreed that the price of cattle should be determined not by the laws of supply and demand, but on the basis of a reasonable and sufficient return to the seller.

In Winthrop's *Journal* occurs the significant story of Mr. Keane of Boston, who kept a shop where he sold goods at above 6*d.* and 8*d.* in the shilling profit, and even, in the case of small articles, at the ratio of two to one. Considered to be reprehensible in itself, the offence was made scandalous by the fact that he was 'an ancient professor of the Gospel, a man of eminent parts, wealthy and having but one child, having come over for conscience' sake and for the advancement of the gospel'. The civil authorities fined him £200, which was considered by ecclesiastical opinion to be a light punishment. However, if Mr. Keane had been content to suffer in silence that might have been the end of it. Instead, when he was summoned before the Church at Boston he began to make excuses. He protested that, after all, he had to make a living, and how could he do this without recouping himself for loss on one article by extra profit on another? The result of this piece of economic reasoning was not encouraging. Mr. Keane's case, and particularly his attempts at extenuation, became the subject of a public discourse by the minister who cited some of the false principles exposed thereby, among them being:

1. That a man might sell as dear as he can, and buy as cheap as he can.
2. If a man lose by casualty of sea, &c., in some of his commodities, he may raise the price of the rest.

3. That he may sell as he bought, though he paid too dear, and though the commodity be fallen, &c.
4. That, as a man may take the advantage of his own skill or ability, so he may of another's ignorance or necessity.

Then the minister proceeded to lay down rules for the trader's guidance, which included the maxims that:

1. A man may not sell above the current price, i.e. such a price as is usual in the time and place, and as another (who knows the worth of the commodity) would give for it if he had occasion to use it; as that is called current money which every man will take, &c.
2. When a man loseth in his commodity for want of skill, &c., he must look at it as his own fault or cross, and therefore must not lay it upon another.

After this trenchant sermon, the Church debated the question of whether Mr. Keane had committed with his eyes fully open what were undoubtedly the serious offences of covetousness and extortion. For if he had sinned deliberately he would incur the extreme penalty of excommunication. In the end, he was given the benefit of the doubt, and the fine and public disgrace were considered sufficient punishment.

It seems a far cry from the maxims of the Boston minister who pronounced on Mr. Keane's case to those of Benjamin Franklin, the son of a zealous American Puritan of the eighteenth century;¹ and yet somehow the transition was made. It was not entirely logical or legitimate, and was due to many other factors besides the change which took place within Puritanism itself. But this change was at least an important influence, and its workings in seventeenth-century England, where it is seen most clearly, are a matter of considerable interest.

¹ Among these maxims are

'Remember, that money is of the prolific, generating nature. . . . He that kills a breeding-sow, destroys all her offspring to the thousandth generation. He that murders a crown, destroys all that it might have produced, even scores of pounds.'

'Remember this saying, *The good paymaster is lord of another man's purse*. He that is known to pay punctually and exactly to the time he promises, may at any time, and on any occasion, raise all the money his friends can spare'

Quoted Max Weber, *The Protestant Ethic*, loc. cit., p. 49.

CHAPTER III

ANGLICANISM AND PURITANISM IN ENGLAND

(a) THE ENGLISH CHURCH

IT is always hard for Englishmen to realize that until modern times their country lay on the edge of European civilization, remote from the main centres both of economic life and of culture and commonly feeling the effects of great European movements, such as the Crusades, at a later date and in less degree than countries more centrally situated. Thus, it was not altogether by chance that England played no leading part in the Discoveries and at first took little interest in them. Nor was she widely or deeply influenced by the Reformation spirit until the end of the sixteenth and beginning of the seventeenth century; for the Tudor secession from Rome, important though it was in many respects, owed comparatively little to the movement led by Luther and Calvin.

But while England had no great financial centre like Antwerp, no family of outstanding influence like the Fuggers, and no annual treasure fleet from the New World, her economic development during the sixteenth century was nevertheless rapid and more sure than that of some of her contemporaries. Henry VII's policy of firm and peaceful rule at home and pursuit of solid, commercial advantage abroad may not have been followed in detail by all his successors, but the foundations of his achievement remained, and provided a favourable setting for the progress of that industry and commerce which had already made considerable strides in the fifteenth century. In the woollen industry, where England was now supreme in Europe, there appeared such significant figures as John Winchcombe and Spring of Lavenham, who found work for 500 to 1,500 employees. Something like a rudimentary factory system came into existence as a result of their activities, and was discouraged by the government in the Weavers' Act of 1555 which limited the number of looms that any one weaver might set up. There were, however, various ways in which the conserva-

tive obstruction of State, town, and gild could be evaded. One way was the escape of the new industry to the country or to non-corporate towns where regulation could not be enforced. Another more subtle and significant method was for the aspiring capitalist to capture and transform the existing constitution of gild or company, until it allowed of the presence of a purely employing class on the one hand and a purely wage-earning class on the other. A comparatively new and complicated industry, like mining, naturally lent itself to organization on capitalist lines, as a glance at the activities of the Willoughbys in Nottinghamshire will show.¹ Foreign trade increased rapidly, cloth now ousting wool as the chief article of export. Agriculture, the most traditional and conservative of occupations, was undergoing a change so rapid and drastic that it filled contemporaries with alarm and became the subject of frequent and heated discussions in pamphlets and sermons. 'It was', says Mr. Tawney, 'a society in rapid motion, swayed by new ambitions and haunted by new terrors, in which both success and failure had changed their meaning.'

Thus, it was in a country which had begun to cast off many of its old institutions and ideas and was moving rapidly towards some new goal that the divines of Henry VIII's Reformed English Church had to teach and preach. It might have been expected that, representing one of the more recent of the Reformed Churches, they would have been ready with a body of new and even revolutionary social doctrine to apply to the society which they saw around them. The most cursory examination of their writings shows that nothing was further from being the case. The ideals and injunctions of the Middle Ages crop up again and again, sometimes to be infused with the new life of a vigorous personality, as in the case of Latimer, but always the same in essentials. The old theory of the living organism, the human body, as applied to society is stated once again by Thomas Lever in his sermons. 'As there be divers members in divers places, having divers duties, so to have divers provision

¹ See Hist. MSS. Comm., *MSS. of Lord Middleton*, and for a general account, J. U. Nef, *The Rise of the British Coal Industry*, 1932.

in feeding and clothing. And as they be all in one body, so none to be without that feeding and clothing, which for that part of the body is meet and necessary.' If the necessity arises, then the rich man should sell all that he has to provide for the wants of his fellow members. The growing prosperity of London merchants, which enabled them to acquire estates and become landed proprietors, filled Lever with nothing but horror, for where some might see economic progress he saw nothing but the old sin of avarice. This sin was like some deadly growth which poisoned other healthy parts of the social organism. 'But undoubtedly whereas covetous men be, there neither lands nor goods, no not God's holy Gospel can do so much good as covetousness doeth harm.'¹ It seems a strangely far cry from these sentiments to those of Joseph Lee, a minister of the Gospel in the next century, who argued that self-love was not contrary to religion and that individual profit-making was for the common good.

The particular problem of economic and social relationships which most exercised the minds of Churchmen in the sixteenth century was that of enclosure. It was not a new problem. Its roots lay in the Middle Ages, throughout the fifteenth century it had become more pressing, and with the appointment of Wolsey's Royal Commission in 1517 it had thrust itself into the forefront of the government's attention. In part, its accentuation in the sixteenth century was due to the general trend of economic development, the forsaking of old forms of production and the freer and fuller exploitation of economic resources. But the event which gave the enclosure problem edges so sharp that it provoked a flood of pamphlet literature and sermons, together with considerable governmental activity, was the Dissolution of the Monasteries and the consequent sale of the monastic lands. It was not that the monks had always been quixotically generous landlords or that the new proprietors were always abnormally harsh. Although those who suffered from the change naturally tended to blame individuals, the truth was

¹ Lever's sermons and those of most of the sixteenth-century divines are published in *English Reprints*, ed. by E. Arber.

that both landlords and tenants were largely at the mercy of impersonal economic forces.

The most distinctive and far-reaching economic effect of the Dissolution was to throw on to the market a large proportion of the confiscated lands of abbeys, and, after 1547, of gilds and chantries. For the pious aspirations of the Royal Reformer in respect of the uses to which these confiscations should be put were, if ever truly intended, certainly never fulfilled. The need of Henry VIII was money, and a party whose adherence to the New Monarchy would be cemented by the strong force of self-interest. By the grant and sale of monastic property to needy courtiers, aspiring merchants, and far-seeing speculators, he acquired both. It has been estimated that estates with a total capital value in modern money of £15,000,000 to £20,000,000 changed hands, the largest single purchaser in Henry's reign being Sir Richard Gresham, who bought the estates of three Yorkshire monasteries for £11,137.¹ Almost all the land passed into the hands of men who, for a variety of reasons, would be more inclined than the old monastic landlords to look on their estates as a purely business proposition. A considerable proportion of land was bought by men who had no intention of retaining it, but merely planned to sell at the highest price in the best market. Other purchasers were intent on screwing up rents and fines. It was men like these whom Lever denounced under the name of 'leasemongers', declaring that of all the extortioners and cheaters he had inveighed against these were the worst. 'I hear say that within a few miles of London an honest gentleman did let his ground by lease unto poor honest men after 2s. 4d. an acre. Then cometh a leasemonger, a thief, an extortioner, deceiving the tenants, buyeth their leases, puts them from their grounds and causeth them that have it from him now to pay 9s. or as I heard say 19s. but I am ashamed to name so much.' Among those who are responsible for these practices are the rich London merchants, who, not satisfied with the more than suffi-

¹ See A. Savine, *English Monasteries on the Eve of the Dissolution*, 1909, for figures, some of which are printed by H. A. L. Fisher. *The Political History of England*, 1485-1547, app. II.

cient livelihood they earn in the city, buy up 'not only lands and goods, but also lives and souls of men, from God and the commonwealth unto the devil and themselves'.

Lever's denunciations were violent and he only saw one side of the question, for at a time of rising prices there was often some legitimate cause for the raising of rents. Nevertheless the picture which he paints, while inaccurate and insufficient in detail, is probably true in its broad impressions. It is easy to see that during such a vast process of land exchange and speculation, especially at a time when the traditional methods of cultivation and management were in the melting-pot, those cultivators whose resources were scanty or whose legal positions were weak would tend to go to the wall. In the minds of the peasants and their supporters the rule of the old landlords soon took on the characteristics of a Golden Age. When Aske led the northern peasants in their heroic, if futile, protest against the Reformation changes, he contrasted sharply the charity and humanity of the abbots with the cupidity and extortion of the new landlords.

The problem of enclosure, often imperfectly understood but always felt to be pressing, gave rise to a considerable body of literature written by experts like Tusser, men of letters like Sir Thomas More, and, last but not least, ecclesiastics like Latimer, Crowley, Lever, and Becon. The majority of these writers have a good deal to say in criticism of the changes in cultivation, but most violent of all in their denunciation of such evils as rack-renting, eviction, and depopulation are the Protestant ministers. Often their condemnations are too vague and sweeping to do more than indicate their own state of mind. Sometimes, as in the case of Crowley's attack on 'the great farmers, the graziers, the rich butchers, the men of law, the merchants, the gentlemen, the knights, the lords', who were responsible for a large number of enclosures for sheep-farming, they put their finger on an important point. For the significant feature of the sixteenth-century enclosures was the fact that they were mostly carried out from above by men whose sole aim was increased profit. 'They take our houses over our heads,' says Crowley,

'they buy our grounds out of hands, they raise our rents, they levy great (yea unreasonable) fines, they enclose our commons.' Lever, too, declared that the most grievous thing which had happened to the people of England was the enclosure of common land.

The sixteenth-century ecclesiastic most closely associated with the denunciation of enclosure is Latimer, himself the son of a Leicestershire yeoman. Latimer is remembered partly because of his association with the ill-starred 'Commonwealth party' in the reign of Edward VI, but also because of the straightforward vigour and humour of his sermons. He must have been a remarkable bishop who provoked one of his congregation to call him 'a seditious fellow' and was more amused than angry at the description. Latimer's father, despite his own preoccupation with the plough, had recognized his son's different gifts and kept him at school to improve them. In view of the progress of enclosure and its evil consequences, Latimer began to fear that other yeomen would find it impossible to follow his father's example.

We have good statutes made for the commonwealth as touching commoners and enclosures; many meetings and Sessions; but in the end of the matter there cometh nothing forth. Well, well, this is one thing I will say unto you; from whence it cometh I know, even from the devil. I know his intent in it. For if ye bring it to pass that the yeomanry be not able to put their sons to school (as indeed universities do wondrously decay already) I say ye pluck salvation from the people and utterly destroy the realm.

For one short period, during the Protectorate of Somerset, it seemed that the tide of enclosure might be effectively stemmed in the interests of the peasantry. The attempt was optimistic, for the most powerful interests in the country were opposed to it. To changes of political fortune they might be reconciled in those unsettled times, but their landed property, even if only recently acquired, had already taken on a sacred and inalienable character. In the teeth of powerful and widespread opposition the Commonwealth party assembled its forces; and, while its organizing brain was John Hales, its inspiration was Latimer.

In his famous sermon 'Of the Plough' preached in January 1548 he denounced enclosures, and in the summer of that year a Royal Commission which included Hales was appointed to inquire into the administration of the various Enclosure Acts. The work of the Commission was uneven and imperfect. But considering the difficulty of the task, that section of it which, headed by John Hales, investigated the condition of a block of midland counties obtained surprisingly good results. Somerset meantime did what he could to further projects of legislative reform on the Council, but his path was beset with difficulties, and with the outbreak of Ket's rebellion in Norfolk these difficulties came to a climax. A Norfolk gentleman, writing a letter which he hoped would come to Somerset's notice, expressed a view which must have been prevalent among the landed gentry. He warned the Protector against lending too credulous an ear to the claims of the Commonwealth party.

To declare unto you the state of the gentlemen (I mean as well the greatest as the lowest) I assure you they are in such doubt that almost they dare touch none of them, but for that some of them have been sent up and come away without punishment, and that Commonwealth called Latimer hath gotten the pardon of others. . . . I may well gather some of them to be in jealousy of my Lord's friendship, yet and to be plain, think my Lord's grace rather to will the decay of the gentlemen than otherwise.¹

Latimer might be ready to laugh at such accusations but the government could not afford to treat them lightly. Somerset grew increasingly unpopular, was finally driven from power, and the programme of the Commonwealth party became nothing more than a faintly disturbing memory.

For the most part Tudor and Stuart governments were content to pass Acts against depopulation, and, through the Council or its offshoots, to intervene spasmodically in the interests of the peasantry. There seems little reason for doubting their good intentions up to a certain point, but except for the one brief interval under Edward VI they lacked the courage to come to grips with the problem, which needed, indeed,

¹ Quoted by Russel in *Ket's Rebellion in Norfolk*, p. 202

a high degree both of courage and ingenuity if it was to be solved.

The enclosure controversy was one particular aspect of a general development—the growth of large-scale, complex and competitive economic organization, and the conservative opposition to it. The attitude of the English Church was entirely conservative, not to say obscurantist. Some of Crowley's fulminations against the whole process of agrarian development are reminiscent of Luther's blind rage in the face of commercial expansion in Germany. The government's policy in the sixteenth century was a curious mixture of conservatism and opportunism, a dallying with the new forces alternating with a hurried retreat behind the old barricades. Generally speaking, the leaders of opinion and policy in Church and State were in theoretical agreement on the broad issues of social expediency. Both were, in the main, conservative, and wedded to a view of society in which the stabilization of existing relationships was all-important. This rough coincidence of attitude may help to explain how, when the Church had become dependent on the State, ecclesiastics who lacked the special qualities of Latimer were not afraid to raise their voices on the subject of depopulation, extortion, and similar evils.

While, in a predominantly agricultural society, it was enclosure which gave rise to the greatest volume of discussion and criticism, it was over the question of usury and extortion that the old and new forces came into sharpest conflict. Enclosure was admitted even by some of its opponents to be a difficult question which called for explanation and qualification, but about high rates of interest, the cornering of necessary commodities and the undue raising of prices, there could according to the conservative writers be no two opinions. Right was right and wrong was wrong. To ecclesiastics like Lever, Latimer, and Crowley, London had already become the wicked city, the modern Babylon, for here it was that the new forces which they understood imperfectly but disapproved vehemently were seen in their most active and advanced form. Agricultural and commercial innovations were suspect enough, but they did not

appear as sinister as the high financial transactions which were every day becoming more commonplace, especially in London. Partly, these transactions were due to larger and more complex commercial organization which necessitated the acquisition of a considerable amount of capital and credit. £1,000 was mentioned by a correspondent of Burleigh's as the sum which a woollen manufacturer would need in order to set up in business.¹ Then, at every stage in the same industry credit was necessary to those engaged in it in order to carry them over the intervals between the various processes. What was true of the woollen industry was true in varying degree of other industries, such as mining, and thus the borrowing of money and the acquisition of credit came to play an increasingly common and important part in economic life. But even more alarming to conservative onlookers were the transactions which took place in connexion with the foreign exchanges. With the growth of international trade there had developed that organization of international exchange which found its most perfect expression at Antwerp. This organization developed so rapidly and along so many lines that it soon came to outstrip its original purpose. What would be known now as 'gambling on the exchanges', an attempt to make profits by the movement of currency values in different countries, became increasingly common. But though accepted in fact, it was frequently attacked in theory as being sinful and unnatural—in the phrase of the day as 'dry exchange'.

Such high financial transactions are, of course, not to be taken as the norm of economic life. Elizabethan England was still in the main a society of peasants and craftsmen who borrowed in the old way, often from the parson or yeoman farmer, to tide over a temporary emergency. But the significant feature of the later sixteenth century was the increasing predominance of the commercial capitalist and his reliance on the new forms of financial organization. His like and the developments for which they were responsible were to carry all before

¹ Quoted in R. H. Tawney's introduction to Thomas Wilson's *Discourse on Usury*, which should be consulted for the whole subject of usury and allied problems in the sixteenth century.

them in the future, and an appreciation of their significance was vital to any realistic system of social ethics.

All the new financial developments were regarded by the Anglican divines with hatred and suspicion. They made no attempt to discriminate between what was inevitable in a time when industry and commerce were becoming national rather than local, and what was needlessly harmful and therefore a fit subject for criticism and repression. What they did was to repeat the old doctrine of usury, product of medieval economic conditions, in a way which must have sounded strangely in the ears of such men as Sir Thomas Gresham. Men should lend, said Lever, hoping for nothing in return. This was the only kind of usury which was justifiable, and 'he that breaketh God's commandment must needs go to the Devil'. It might have been retorted that men like John Winchcombe and the Willoughbys could well afford to pay for a loan which put them in the way of securing large profits, and in face of that retort sixteenth-century Anglican teaching would have been dumb, for it had never taken intelligent account of such men. The symptoms were condemned without the cause being fully analysed. 'This canker', declared Archbishop Sandys, speaking of usury, 'hath corrupted all England; it hath become the chief chaffer and merchandise of England.' But as another preacher admitted sadly: 'No statutes, no laws, can take usury; for he hath so many turnings and turnagains, that a man cannot tell where to find him.'¹

As in the Middle Ages, so now in the sixteenth century, usury was a comprehensive term and commonly included or was coupled with every offence which implied extortion or unfair dealing. The holding-up of corn supplies is described by Lever, and both the fact and the new-fangled justification for it denounced in no uncertain terms. 'Many of you', he says, 'keep your own corn in your own barns. Yea marry, why should we not keep our corn in our own barns? Forsooth, ye now may not keep it for dread of God, obedience to the King's

¹ For these and other opinions of Elizabethan divines, see J. Haweis, *Sketches of the Reformation*, 1884, chap. xii.

majesty, and pity of your poor neighbours. . . . He that hideth up corn shall be accursed among the people.' Nicholas Heming, in his *Lawful Use of Riches*, expounds at some length the familiar doctrine of the just price, and like Lever indignantly dismisses the suggestion that a man should be able to do as he likes with his own. 'He which hurteth but one man is in a damnable case; what shall be thought of thee, which bringest whole households to their graves, or at the least art a means of their extreme misery? Thou mayest find shifts to avoid the danger of men, but assuredly thou shalt not escape the judgment of God.'

The teaching of the Church on usury and kindred subjects was plain enough. Its practical enforcement depended on the strength and efficacy of ecclesiastical action and on the attitude of laymen. Mr. Tawney has pointed out that the opinion of the ordinary man and the policy of the government on questions of economic conduct were, in the sixteenth century, more than ordinarily confused and contradictory. So far as the citizen went, 'a century before he had practised extortion and been told that it was wrong; for it was contrary to the law of God. A century later he was to practise it and be told that it was right; for it was in accordance with the law of nature.' So far as the government went, there was a general desire to preserve existing conditions while occasionally recognizing and taking advantage of the new commercial and financial developments.

There are few records of the Church's activity in punishing usurers and putting down monopoly and extortion. Ecclesiastical jurisdiction in such matters had always been regarded with dislike by the secular authorities, less, in the past, because they disapproved of its content than because they were jealous of its profit and power. Now, with the growth in the comparative importance and influence of these secular authorities, the old jealousy increased while a new one came in to strengthen it—the suspicion with which men nurtured in the new economic environment of the sixteenth century looked on any ecclesiastical attempt to interfere with their enterprises. But the full development of this attitude lay in the future, and in the sixteenth century there was little direct criticism of the Church's time-

honoured claim to intervene in secular affairs. Until the outbreak of the Civil Wars bishops and ecclesiastical courts attempted to exercise some jurisdiction over the usurer and extortioner. In 1571, Archbishop Grindal issued injunctions to the laymen in the Province of York which laid stress on their duty of presenting before the Ordinary any one who demanded interest on a loan, and bishops' Articles of Visitation frequently required the presentation of usurers together with other offenders against the social code. Even in the seventeenth century cases of usury and extortion continued to come before the ecclesiastical courts, as when money-lenders were cited before the Court of the Commissary of the Bishop of London, and when the printers were rebuked by the Court of High Commission for bad work and high prices.

The policy of the central government and the local authorities was, however, considerably more important than the action of ecclesiastical persons and tribunals, whose authority, never firmly established in economic matters, was fast diminishing. Up to a certain point, the attitude both of Westminster and the country at large was conservative. This was particularly the case with the majority of local authorities, who were still confronted by a state of society and a set of problems not wholly unlike those which had obtained when the traditional teaching on economic matters had been formulated. At Coventry, usury was declared to be a scandalous vice which automatically disqualified a man from holding municipal office. At Leicester, it was forbidden under heavy penalties and the debtor was given help from the town funds. In the counties, usurers were frequently presented by juries. The Council itself intervened directly where instances of extortion threatened to cause serious discontent or dislocation.

The position and policy of the central government was naturally more delicate and complex than that of local authorities. It was in far closer touch with those developments of high finance which have been indicated, and, while its attitude towards them was not wholly enthusiastic, it was at least alive to some of their possibilities and uses. A record of government

policy towards financial developments in general, and the question of usury in particular, calls to mind the gestures of one who advances and retires in a dance—a sort of financial ‘Will you, won’t you?’ The Acts of Henry VII on the subject of usury made no substantial change in the existing law, and both reserved the jurisdiction of the ecclesiastical courts. Then in 1545, to the horror of conservative opinion, usury was legalized when the interest demanded did not exceed 10 per cent. ‘Alas,’ says Crowley, ‘that ever any Christian assembly should be so void of God’s Holy Spirit that they should allow for lawful anything that God’s word forbiddeth.’ Seven years later this Act was repealed and a return made to the old standpoint from which all usury was forbidden. Needless to say the practice continued, and a probably small, but influential, body of opinion pressed increasingly hard for its definite legalization. A memorandum presented to the Government in 1571 drew a distinction between interest and usury. ‘Usury tendeth to the destruction of the commonwealth, but the borrowing of money or any other thing, yielding to the lender true and just interest, is one of the commodities which issued by the society of man.’ Views similar to this were becoming increasingly general, and the considerable number of men who preferred to have a religious justification for their attitude had only to turn to what they chose to find in the doctrines of Calvin in order to obtain this justification. The Civilian in Thomas Wilson’s *Discourse* claimed that the best Reformed opinion was not opposed to moderate usury, ‘but does rather think it needful to be permitted. . . .’ And the Preacher was bound to admit that there was truth in the claim. It was not difficult for the apologists of the new finance to turn a blind eye on that equally essential part of Calvin’s doctrine which provided for a stringent control of economic matters.

In 1571 the government yielded up its extreme conservative position, less as a result of theoretical persuasions than because of its own pressing necessities. With the revolt of the Netherlands in 1566 the Antwerp money market became closed to the English government, and it was therefore necessary for it to encourage the native financiers and capitalists on whom it was

now dependent for support. The Act of 1571 was in form a compromise, but in practice it had the effect of definitely legalizing all interest which did not exceed 10 per cent., and of leading to the adoption of a lenient attitude towards interest which rose above this rate.

By the opening years of the seventeenth century, it is possible to trace a significant and growing school of thought which was seeking to analyse economic problems and discuss economic actions on a purely naturalistic and amoral basis. Sometimes there was direct opposition to the interference of the Church, as when the Man of Business in Wilson's *Discourse* declared that: 'merchants doings must not be overthrown by preachers and others that cannot skill of them.' More often a flank attack was delivered by completely ignoring the old religious and teleological foundations, and concentrating on a discussion of things as they were or would be if artificial hindrances to economic action were removed. Gerard Malynes, in his *Lex Mercatoria*, expresses most clearly this new point of view, detached, would-be scientific, entirely secular.

We see [he writes] how one thing driveth or enforceth another, like as in a clock where there are many wheels, the first wheel being stirred driveth the next and that the third and so forth, till the last that moveth the instrument that striketh the clock; or like as in a press going in a strait, where the foremost is driven by him that is next to him, and the next by him that followeth him.

The right to conduct trading and financial operations without let or hindrance came to be regarded as beneficial and 'natural'. A House of Commons' Committee in 1604 declared that all subjects were born with the right to exercise freely any industry or trade which they chose. 'Merchandise being the chief and richest of all other, and of greater extent and importance than all the rest, it is against the natural right and liberty of the subjects of England to restrain it into the hands of some few.' It was significant that the meaning of Nature and Natural Law had undergone a considerable change since the dawn of the modern world. In the Middle Ages, to appeal to Natural Law had been, generally speaking, to appeal to things as they ought

to be if a Divine ruler had His way. After the end of the sixteenth century and for some time to come, men appealed to Natural Law to justify things as they were or would be if human appetites and desires were exercised without restraint, except that minimum which was necessary to maintain political order in the State. Such philosophic niceties might seem without interest or importance for the 'practical' man, who as time went on was to become so practical that he sniffed the rarefied air of any abstraction with extreme suspicion and scorn. But, nevertheless, the philosophers played a not unimportant part in creating the general atmosphere of the society in which his activities were carried on.¹ At a time when philosophy in England joined hands with common sense, John Stuart Mill wrote of the practical importance of the difference between a philosophy of intuition and one of experience. This contrast, he says, 'lies at the foundation of all the greatest differences of practical opinion in an age of progress'.

The English Church did not surrender its position at the first onslaught of the new creed of rationalism. The Tudor line came to an end, and many of the lingering traces of medievalism vanished with the dawn of the new century; but still, for a time, the old theory of the proper attitude of religion to economic and social relationships was reiterated by Archbishop Laud with an urgency and intolerance born partly of his own temper and partly, perhaps, of a growing fear of defeat. With Laud, unity and order were a fetish to which must be sacrificed all manifestations of spontaneity and new growth. But faction and self-seeking must be sacrificed, too, even when they occurred in high and powerful places. 'If any man be so addicted to his private, that he neglect the common, state,' said the Archbishop, 'he is void of the sense of piety and wisheth peace and happiness to himself in vain. For whoever he be, he must live in the body of the Commonwealth, and in the body of the Church.' It seemed to Laud essential that Church and State

¹ For the part played by the 'new philosophy' of the seventeenth century in creating what a contemporary writer called 'climates of opinion', see B. Willey, *The Seventeenth Century Background*, 1934.

should work together towards a common end. 'Both Commonwealth and Church are collective bodies, made up into one; and both so near allied that the one, the Church, can never subsist but in the other, the Commonwealth. . . .' It was fortunate (or perhaps unfortunate) for Laud that there were men in the State whose opinions on the necessity for unity and order coincided with his own. The government of Charles I deserves a good deal of the opprobrium which both contemporaries and posterity have cast upon it, for it was frequently greedy and corrupt and was far too ready to hide these vices under a cloak of kingly benevolence. Nevertheless, during the eleven years between 1629 and 1640 when Parliament was silenced and government policy was seen both at its best and worst, it is possible to trace in it good intentions and results as well as bad. These eleven years were a time when, according to Miss Leonard, the Poor Law was more thoroughly administered than ever before. The Council kept a wary eye on the conduct of industry and interfered from time to time in the interests of what seemed to it to be social order and justice. Thus, pressure was brought to bear on the clothiers in East Anglia to make them raise the wages of spinners and weavers, and a corn engrosser was brought before the Star Chamber and committed to prison. Yet another attempt was made to check the rapid progress of enclosure, and, as a result of the appointment of commissions in 1632, 1635, and 1636, a certain amount of pasture land was ploughed up and six hundred offenders were fined. It was here that Laud's influence was most closely felt in economic matters and here that he helped to prepare the way for his downfall. Clarendon, describing the way in which the archbishop obstinately refused to temper justice with judicious mercy, tells how: 'the revenue of too many of the court consisted principally in enclosures, and improvements of that nature, which he still opposed passionately, except they were founded upon law. . . . And so he did a little too much countenance the Commission for Depopulation.'¹

¹ For a general account of the policy of Laud and the government of Charles I, see M. James, *Social Problems and Policy during the Puritan Revolution*, chap. i, section i.

It seems probable that, in any case, the English Church would have fought a losing battle against the new forces which were arrayed against its social teaching. For this teaching was, in the main, a vain repetition of old doctrines which had been framed in the midst of vastly different conditions. The new developments would have been difficult enough to control even by the most realistic code of economic conduct. When the only control which was attempted was both unsympathetic and out of date, its ultimate defeat was at least highly probable. But now, to make this defeat more swift and sure, there were advancing foes within the camp of religion who were, in a remarkably short space of time, to reverse traditional doctrines inside the Church itself.

(b) THE PURITAN MOVEMENT

Weakened by the force of secular developments which it had been unable to absorb and control, the traditional attitude of religion to economic questions was now attacked and transformed by a powerful solvent—the Puritan movement. This movement, both from an historical and a doctrinal point of view, was much more complex than is often supposed. It cannot be identified with any one sect, any one doctrine, or any one man, not excepting the many-sided Cromwell, who is sometimes thought to epitomize Puritan characteristics. Seventeenth-century English Puritanism was neither Calvinism nor Independency. It contained elements of both, and was rather an attitude of mind and a way of life than a fixed and definite creed. Mrs. Hutchinson, in the *Memoirs* of her husband, the Parliamentary Colonel, indicates the comprehensive use of the term when she writes that the name 'Puritan' was applied to any one who opposed the practices of the Court party. 'If any gentleman maintained the good laws of the land, or stood up for any public interest,' she wrote, 'he was a Puritan.'

Puritanism first became a power in the land and a problem for statesmen in the reign of Elizabeth. By the seventeenth century, it had gathered such impetus and combined so many elements within itself that it helped to bring about a constitutional

upheaval and was responsible for effecting a religious change which deserves, far more than the movement led by Henry VIII, to be called the English Reformation. In the economic and social sphere its consequences were no less important, though not at first sight so obvious.

The two main constituents of English Puritanism—Presbyterianism and Independency—were both represented in Elizabethan England. Calvinistic organization and beliefs had taken firm root in Scotland under the form of Presbyterianism and now began to filter through into England, where isolated *classes* were formed. But it was Independency or Congregationalism which was most at home in English soil and which caused most alarm to Elizabeth and her bishops, who rightly saw in it the thin end of a wedge which might loosen existing foundations in Church and State. Both Independents and Presbyterians, for their part, were naturally opposed to the sway of authorities which denied their right to full and free existence. It was not mere chance that the most vigorous champions of parliamentary freedom against prerogative rights were found among the Puritan Members. Nor was it unnatural for Puritans, both in Parliament and elsewhere, to chafe against manifestations of the Anglican Church's authority in economic matters. Already in the sixteenth century the Puritans were sometimes accused of disregarding ecclesiastical discipline in this sphere. Thus Thomas Wilson in the preface to his *Discourse* complains of the 'dissembling gospeller', who 'under colour of religion over-throweth all religion. . . . And touching this sin of usury, none do more openly offend in this behalf than do these counterfeit professors of this pure religion.'

The accusation was not altogether just. Both in the sixteenth century and for some time to come, there was no inclination among English Puritans to do away with religious control in economic matters. What they wished to do was to substitute a new presbyter for the old priest, a body of effective and righteous legislation in place of the stale, unprofitable rules of the existing law. English Puritanism produced no Calvin, but the ideal which many of its most earnest supporters in the sixteenth and

seventeenth century had in mind was by no means unlike that of Geneva.

While generally following Calvin in refusing to condemn usury in principle, the Puritan divines regarded it with so much suspicion and surrounded it with so many qualifications in practice that they may be judged to have been no unfair interpreters of the Reformer's actual intention. Knewstub admits that 'that worthy instrument of God, Mr. Calvin', permitted the exaction of usury in some special cases, but what Knewstub gives with one hand he takes away with the other by declaring that this permission cannot be extended to cover any of the usurious practices current in England. 'How then,' he asks, quite in the old style, 'can those who lend their money to usury (which decayeth not with use) claim anything above that which was delivered?'¹ Baro, who was a Cambridge professor until his Puritanism lost him his position, declared in a sermon at Cambridge that 'all gain which is gotten by money is not to be condemned', but he added that 'a godly man must take diligent heed, lest he abuse his money, to the hurt of his neighbour'. Thomas Cartwright, the most famous of Elizabethan Puritans, was very definite and severe in his condemnation of excessive usury. 'He that hath usury proved against him,' he declared, 'so that he lose his principal for taking above ten in the hundred, yet shall he also, for committing so heinous offence against God and his Church, to the very ill example of others, not be allowed to the Sacraments, until he show himself repentant for the fault and study thereby to satisfy the congregation so offended by him.' Wherever records survive of the administration of Puritan *classes* in the sixteenth century, they bear clear traces of an attempt to enforce a strict control of economic conduct, and even the Independents and Sectaries intended to replace the withered tissues of existing Church discipline by a vital and spontaneous creation of their own. During the third decade of the seventeenth century a long and comprehensive treatise on economic conduct was written by a certain Dr. Ames,

¹ For this and other quotations from the works of Puritan divines, see J. Haweis, *Sketches of the Reformation*, loc. cit.

one of the many English Puritan exiles to Holland for conscience' sake. In this treatise, named *De Conscientia*, there is no sign of any desire to relax existing economic standards or methods of control. Usury is surrounded with so many restrictions and qualifications that it seems likely to become an unprofitable business, and the doctrine of the just price and fair dealing is rehearsed once again.

But during the first forty years of the seventeenth century the energies of most Puritans were directed towards destruction rather than construction. Before they could create a new heaven and a new earth the present obstructive creations had to be overthrown; and, as Laud and Strafford made an eleventh-hour attempt to infuse the old ideals and institutions with new vigour, the opposition forces, which now included sinners and Laodiceans as well as Puritan saints, buckled on their armour and prepared for a fight to the finish. By the time the fight was finished Puritanism had become less rich and varied, though easier to define, for it had shed together with temporary excrescences some integral parts of its former self.

Puritanism was widely diffused and was not peculiar to any one class or locality. At one end of the scale stood country gentlemen like Eliot and Hampden, at the other, town-dwelling artisans and servants like those described with unflattering comments in Edwards's *Gangraena*. But already in the early years of the seventeenth century certain affinities between religious doctrine on the one hand and social position and economic pursuits on the other had become visible. Statistical evidence has shown that, during the first years of the century, Puritan ministers were congregated mainly in the industrial areas of England. In the keen searchlight thrown over the country by the outbreak of the Civil Wars it became more clearly evident that Puritanism was strongest among the middle, trading classes. London, the city of merchants and craftsmen, threw in its lot whole-heartedly with Parliament and continued after the Restoration to be 'the rebellious city', a thorn in the side of the established Church, against which Charles II was warned by the bishop of Oxford who complained that the

'trading combinations' were 'so many nests of faction and sedition'. Throughout the country the growing industrial towns supported the parliamentary cause, even when, as in Lancashire, the neighbouring country-side had declared for Charles. Richard Baxter was struck by the prevailing connexion between a 'middle' economic and social status and a Puritan frame of mind. 'Freeholders and tradesmen', he wrote, 'are the strength of religion and civility in the land; and gentlemen and beggars and servile tenants are the strength of iniquity. . . .'¹ After 1660 the connexion between Puritan Nonconformity and trade became a commonplace which was not without foundation. In 1661, the four London M.P.s were all commercial magnates and Puritans of varying shades of opinion. The permanent Committee of Trade was composed largely of English Nonconformists and foreign Puritans who had taken refuge in London. William Petty, in his *Political Arithmetic*, attributed the economic progress of England and Holland to the inclusion of hard-working Nonconformist elements. Their industry sprang, he thought, partly from their being in a religious minority and partly from a natural attraction between Dissent and trade. 'Dissenters of this kind', he said, 'are, for the most part, thinking, sober, and patient men, and such as believe that labour and industry is their duty towards God.' A pamphleteer of 1671 wrote that there was 'a kind of natural unaptness in the Popish religion to business, whereas on the contrary among the Reformed, the greater their zeal, the greater their inclination to trade and industry, as holding idleness unlawful. . . . The domestic interest of England lieth in the advancement of trade by removing all obstructions both in city and country, and providing such laws as may help it, and make it most easy, especially in giving liberty of conscience to all Protestant Nonconformists and denying it to Papists.' So much did Englishmen take this advice to heart that Montesquieu could write in his *Esprit des Loix* that they had progressed the farthest of all people in the world in the three important matters of piety, commerce, and freedom.

This consummation lay in the future, but its way was being

¹ For quotations from R. Baxter, see F. J. Powicke, *Life of Richard Baxter*, 1924.

prepared before 1640 by Puritan leadership of the opposition to that system of control enforced by Laud and Strafford. Hatred of Laud's ecclesiastical discipline was coupled with and perhaps exceeded by hatred of its social and economic implications. One of the articles brought against him at his trial was his encouragement of arbitrary rule by the contention that: 'The King might at his own pleasure take what he pleased without law, because warranted by God's law.' This general theory was put into practice in the case of enclosure, when the archbishop told indignant offenders whom he had fined to 'go plead the law in inferior courts. They should not plead it before him.' A petition presented to the House of Commons complained that trade in general and the clothing industry in particular had suffered greatly through the bishops' insistence on too frequent holidays and saints' days, and through the religious intolerance which had driven away many of the kingdom's most profitable subjects.

It is easy to see how moderate business enterprise, chafing under restrictions and hindrances which were sometimes needless and badly applied and always irksome, came to join hands with a faith which was passionately desirous to overthrow existing ecclesiastical control. The alliance between Puritanism and the middle trading-classes had, however, deeper and more permanent roots than this conjunction of negative interests. But the connexion is not easy to discover or define. It would seem that the Puritan religion, with its insistence on the importance of individual effort and on the expression of faith through sober, consistent industry, found a natural home among those rising middle classes who were engaged in economic enterprise and who disliked at once the frivolity and corruption of the Court and the obstructive regulation of Laud and Strafford. It may be, as Mr. Tawney has suggested, that they discovered in Puritanism a magic mirror which flatteringly reflected and magnified their virtues and conveniently ignored their vices. For whatever reason the connexion was formed, it was certainly beneficial both to the Puritan religion and the middle classes. Puritanism gained the support of an already powerful section

of society, and in its turn conferred on the secular activities of its ally a blessing and a sanctification which they had hitherto lacked.

Puritanism, however, contained more than one element and had more than one affinity. It led these diverse elements under one banner to the fight against monarchical and episcopal control; but, when the citadel had been stormed and it became necessary to build afresh on the ruins, more than one scheme of reconstruction was submitted, often to be abandoned only after considerable strife and even bloodshed between forces which had believed themselves to be united.

The first attempt at rebuilding was dictated partly by political and military pressure from Scotland, partly by the fact that Presbyterianism, or, rather, the general ideal of stringent control and authority on a democratic basis which it represented, was a very important element in the English Puritan movement. Now, in 1642, with the almost too zealous assistance of the Scots, it seemed that there was a chance of introducing into England the solid framework and substance of ecclesiastical and social discipline. The Westminster Assembly, however, bore from the beginning the marks of its Parliamentary birth. Instead of being able to work out freely a comprehensive programme of reform, it was able to discuss only those questions which Parliament decided to refer to it. When the Divines drew up a long list of offenders who were to be excluded from the Sacraments, drunkards, swearers, and extortioners being among the outcasts, Parliament detracted from the authority and efficacy of the provisions by defining the particular matters which the Elders might examine, and giving a right of appeal by way of the Classical, Provincial, and National Assemblies to Parliament itself. Deprived of the possibility of a more spontaneous growth, Presbyterianism soon withered in a ground which was probably unsuited to it. 'For though Presbytery generally took in Scotland,' says Baxter, 'yet it was but a stranger here.'¹

For a decade after 1646 fifteen English counties still bore the

¹ For an account of ecclesiastical history at this time, see W. A. Shaw, *The Church of England during the Civil Wars*.

impress of Presbyterian organization, but it is difficult to decide how far this organization was a living force. In London, there seems to have been little or no exercise of jurisdiction on the part of Elders or *classes*; in Lancashire, on the other hand, there is evidence of energetic intentions and some rather chequered activity. At Bury, the *classis* decided in 1647 that 'usury is a scandalous sin, deserving suspension upon obstinacy', and the Chorlton *classis* brought various accusations of fornication, clandestine marriage, and similar offences against its members. But there are indications in the same *classis* of considerable lack of unity and distrust between members and officials, as when the minister was accused by one of his congregation of riding to the public danger under the influence of drink, and an impartial witness remarked that, in his opinion, the minister was 'more distempered at that time with drink than at another time, but would not take his oath that he was drunk'. What little vitality the Presbyterian system possessed was fatally weakened by the victory of the mainly Independent New Model Army at Naseby. Not only was the whole outlook of the Army opposed to any such rigid ecclesiastical organization, but, by diminishing the authority of Parliament, they removed any support which the civil arm may have given to it.

Presbyterian organization was not the only method by which Puritanism could exercise control over social and economic life. Its failure to establish itself firmly in England did not mean the end of all efforts to enforce a righteous discipline. There was only one Parliament of Saints during the brief rule of the Puritans, but all Parliaments and Council tables and some local authorities were imbued, during these stirring times, with a consciousness of their mission to save men's souls. Their conception of morality was as strict and intolerant as it was narrow, and it is interesting to note that to official Puritan opinion at this time 'immorality' had come to bear something of the limited meaning which it usually does to-day. In striking contrast with Laud and with Puritans such as Baxter, who tried to bring every human activity into line with a high ideal of conduct, Puritan magistrates and ministers were usually content

to suppress the obvious vices of licentiousness, drunkenness, and swearing, and leave unchecked the more elusive and widespread sins of avarice and extortion. It may be that, during the long years when they had fought against principle and prejudice for recognition, the Puritans had come to associate the vices of loose living with the hated Court on the one hand and the rabble who disregarded their teaching on the other. It may be that they were victims of an unconscious hypocrisy, which suppressed with unction those weaknesses to which it had little temptation and conveniently slurred over those to which it had yielded.

In 1650 an Act was passed which made adultery a capital offence. But, though significant as indicating an attitude of mind, its extreme severity prevented its being enforced. Several of the printed Quarter Session Records contain indictments for fornication, and in Devonshire an order was made that every woman who had ever had an illegitimate child was to be committed for trial unless she had been previously punished. Swearing was also anathema, and in Devonshire men were fined 6s. 8d. for a single oath, the charge being reduced to 3s. 8d. 'on taking a quantity'. The most heinous offence, however, was drunkenness, and during the Commonwealth a valiant attempt was made to deprive the Englishman of his beer. The Council of State frequently issued instructions to the local authorities to control or put down certain alehouses, and some of them acted on these instructions with a zeal and fervour which cannot be altogether explained by their usefulness as a police measure. In 1650, the Mayor of Salisbury exhorted the justices to put down three or four disorderly houses in language which well expresses the spirit which was abroad in those amazing times. 'God hath honoured you', he says, 'in calling you to a place of power and trust. . . . You are posting to your grave every day; you dwell upon the borders of eternity; your breath is in your nostrils; therefore double and treble your resolutions to be zealous in a good thing. . . . How dreadful will a dying bed be to a negligent magistrate.'

When the Major-Generals were appointed in 1655 Puritan

morality was enforced with renewed vigour. Ecclesiastical organization proper had tacitly abandoned the attempt to enforce social control, but with the advent of Cromwell's lieutenants, sword in one hand and Bible in the other, it might have been thought that all deficiencies would be repaired. Their commissions were wide and they had an opportunity, brief, it is true, of making their power felt in every department of life. In the realm of agrarian policy they made the last recorded attempt on the part of representatives of the government to limit enclosure. But apart from this their conception of social morality was narrow, though strict. Drunkenness, loose living, and swearing remained for them all that were left of the deadly sins, and while they harried vagabonds they made no attempt to check extortioners. Nevertheless, their control was fiercely resented and they were abolished amid universal rejoicing, after having put the finishing touches to what was to become the national bogey of military interference in civil affairs.

After 1660 no widespread attempt was made to enforce economic and social regulation as a necessary corollary of Puritan faith. Partly, this may have been due to the difficulty of the task, for the Puritans were once again in a minority, tolerated but not encouraged by the established powers. It was due far more to the fact that what may be called the collectivist side of Puritanism, never firmly established in England, had given way among Puritans themselves to a more vigorous and congenial aspect of their faith. Nevertheless, there were still occasional reminders of a *motif* which was being crowded out by more insistent themes, and the most vigorous of these reminders came from Richard Baxter, the preacher of Kidderminster.¹

Baxter's teaching is remarkable for its courage and its realism. At a time when the ideal of the application of religious ethics

¹ Although Baxter is the most remarkable representative of the Puritan attempt to enforce a strict system of social ethics, he does not stand alone. See, for instance, the *Scripture Rules to be Observed in Buying and Selling*, published in 1653 by Christopher Love, late minister of St. Lawrence Jewry, London. Love lays down a series of regulations very similar to those of Baxter.

to economic matters was attacked from without and weakened from within, he strove hard to reconstruct it, with an eye on both the abyss and the peak. He did not ignore the facts of advancing commerce and industry which he saw about him in Restoration England, and he was ready to admit them, if properly conducted, to a place in the Divine scheme. He says that the object of his teaching is 'the resolving of practical cases of conscience, and the reducing of theoretical knowledge into serious Christian practice'. So ready, indeed, is he to admit economic enterprise to an honourable place that some of his phrases, wrenched from their context, may have helped to give an unqualified sanction which he never intended to the business virtues. Any one who reads even part of the comprehensive *Christian Directory* must be struck by the stress which it lays on economic control rather than by the encouragement which it gives to economic licence. Baxter admits, for instance, the currency of the saying that every man can do as he likes with his own, only to deny that it should be allowed to have any force among Christians. Whatever licence the secular law allows, they must consider themselves bound by considerations of fair and charitable dealing and the common good. Certain types of trade, such as oppressive monopolies or combines, are altogether forbidden. Others must be exercised with constant consideration of the justice and charity of the particular transactions which they involve. If a trader finds a customer who is ready to give more for a commodity than its legal or market price, he must not take advantage of this, for 'it is a false rule of them that think their commodity is worth as much as any one will give'. Particular consideration is to be observed when dealing with the poor, and in certain circumstances they should be offered a loan to carry them over a difficult point in the negotiations.

Like all Puritans of this time Baxter refused to lay down a cut-and-dried prohibition of usury, but, unlike some of them, his genuine intention was to hedge it round with so many precautions that it should become a means of allaying economic hardship rather than causing it. Loans should be made to the

poor without hope of gain or even return of the principal, and must always be so arranged as merely to allow the borrower 'such a proportion of the gain as his labour, hazard, or poverty doth require'. As the descendant of a family of yeomen, Baxter naturally held strong views on the proper conduct of land-owning, which he treats under the general heading of 'Cases of oppression, especially of tenants'. Hard landlords, he says, 'are the common and sore oppressors of the countrymen. If a few men can but get money enough to purchase all the land in a county, they think that they may do with their own as they list, and set such hard bargains of it to their tenants, that they are all but as their servants. . . . An oppressor is an Anti-Christ and an Anti-God . . . not only the agent of the Devil, but his image.' Here was plain speaking for the landed gentry whose divine right to rule England was now well on the way to being established. If Baxter's views had prevailed, the enclosures which they were to carry out in the next century amid the plaudits of all respectable opinion would have been seriously hampered. For, according to Baxter, no man should enclose his land without a serious consideration of the effect on his tenants, and no tenant should be turned out of his holding without adequate compensation.¹

But Baxter, with his elaborate and thoughtful code of Christian morals and his attempt to apply them practically in instructions to his congregation, was fighting a losing battle. He says himself that he met with extreme difficulty in using excommunication from the Sacrament as a means of discipline. Out of 'very fear of discipline all the parish kept off except about 600, when there were in all above 1,600 at age to be communicants'. The truth was that that part of Baxter's teaching which was directed towards stringent control in social matters made no impression on a mould which, composed of more easily assimilated elements of Puritan faith, was by this time rapidly hardening. By 1660 the struggle between the divergent elements in Puritanism was really decided, though

¹ Most of the quotations contained in the above paragraphs will be found in *Chapters from Richard Baxter's Christian Directory*, ed. J. Tawney, 1925.

naturally contemporaries did not always realize it. The individualistic elements had emerged from the furnace of Civil War and revolutionary experiment strengthened, and purified, in the sense that certain inconvenient, obtrusive particles had been reduced to unnoticeable proportions.

Even the independent, individualistic element in Puritanism was at first far from being homogeneous. Cromwell and Ireton might stare in horror and amazement at the Levellers and Diggers who claimed that they were the natural and legitimate products of a Puritan Revolution, but this claim was not without historical justification. Waller had prophesied truly when he declared that the criticism and removal of established institutions in the Church would lead to similar revolution in all departments of State. 'They have cast all the mysteries and secrets of government before the vulgar,' said Clement Walker in his *History of Independency*, 'and taught the soldiery and the people to look into them and lead back all governments to the first principles of nature.' Edwards, in his *Gangraena*, declared that the teaching of the sects was that 'all the earth is the Saints' and there ought to be a community of goods, and the Saints should share in the lands and estates of gentlemen and rich men'. To such doctrines, said another writer, must be joined the subversive practices by which cobblers, tailors, and even women took it upon themselves to preach and mobs gathered in the streets 'threatening blood and destruction'. It is, of course, obvious that such hostile critics exaggerated the rebellious tendencies of the sects, but there was some fire to give colour to their smoke. The leaders of the Puritan Revolution succeeded, in the long run, in limiting the economic and social benefits of the movement to their own order, but in the course of the struggle they had conjured up genii who were not dismissed before they had kindled fires of criticism and revolt which alarmed orthodox Puritans and all those in established positions. The Digger movement, with its theories of a Christian Utopia and its short-lived attempt at practical communism in Surrey, was the most remarkable attempt at social democracy under the Commonwealth, but it did not stand alone. The Levellers

included schemes of drastic economic reform in their manifestoes, and Walwyn, who represented the left wing of the movement, was accused by Edwards of declaring that 'it was an unconscionable thing that one should have £10,000 and another, more useful and deserving to the Commonwealth, not be worth 2*d.*', and of aiming at a state of society in which all things should be held in common. Among the small craftsmen and apprentices of the London city companies, many of whom belonged to the less orthodox sects, a widespread agitation took place for the attainment of a share in the government of their crafts.

That side of Puritanism which was responsible for fostering a sense of the importance of every individual, however humble, was not crowned with success. The social-democratic ferment of the Commonwealth was put down by Cromwell's soldiers or by the Lord Mayor's officers. More significantly, it was crushed by the weight of an increasingly powerful trend of opinion within orthodox Puritanism itself. Here individualism triumphed, but it was the individualism of the merchant and landowner, not that of the poor peasant or shabby craftsman. A new sort of aristocracy evolved from the noise and confusion of ecclesiastical and civil strife, an aristocracy whose inner virtues, so it was claimed, were those of religion and the spirit, but whose outward justification was its devotion to business and its solid wealth and respectability. Such worldly qualities were by no means new, but what their possessors had lacked up till now was the consciousness, with all its vast implications, that they were fostered and blessed by religion.

It is not easy to trace the exact stages and means by which this sanctification of the economic virtues came about. It was as though the rising middle classes in England and elsewhere turned instinctively towards a new religion which from the first had held certain attractions for them, and, in turning, drew towards themselves those elements which were most congenial to their own temper. Having possessed themselves of these elements, they magnified and glorified them, till, by the time the process had neared completion, it is doubtful if those

in whose minds and hearts they had first taken shape would have recognized them.

From the beginning, the Reformed religion in its Calvinistic form had contained more than a hint of a doctrine of solitary endeavour, of bleak isolation, which was afterwards to be heightened. This was certainly the case in England, where the collectivist side of the Reformed teaching exercised a short-lived and imperfect influence. Not only the decisive event of the battle but its every encounter had to be fought in secret between the individual soul and God. According to this doctrine there is little or no opportunity for mutual help or sharing of difficulties. Indeed, human aid is nearly always to be suspected. No one can be sure if his brother has merited salvation or help him to it if he has not. Christian in his journey to the Celestial City meets only two companions who are fit to accompany him. The rest are either out-and-out enemies or possess some fatal weakness which excludes them utterly and irrevocably from any prospect of salvation. Even when Christian thinks of the country he has left behind and his wife and children, he does so only with 'shame and detestation'. Ecclesiastical institutions and persons are to be regarded with caution. They represent the mere letter of the law which too easily usurps the place of the spirit, and it is therefore safer to put them on one side altogether, or at least to relegate them to a very subordinate place.

To the Puritan of the latter half of the seventeenth century it had thus come to seem imperative that he should work out his salvation alone. His spiritual conviction of the necessity for solitude was strengthened by the force of particular circumstances, which had led him to attack and help to overthrow many of the traditional methods of social control and which had prevented the institution of new ones. It was by work in the literal sense of the word that salvation was to be attained, or rather retained. The original gift of grace might take place in any way or in any place, but once received it was by work that it was retained, perfected, and demonstrated to the world. That disapproval of monastic seclusion which had been so marked a

feature of the Reformers' teaching was now reiterated with fresh emphasis and new implications. The selfish and unproductive life of the monks and begging friars is, says a Puritan writer, 'in very deed, as to the worthiness of it, short of the poorest cobbler, for his is a calling of God, and theirs is none'. Just as seclusion in a monastery is displeasing to God and unfruitful for the individual and the community, so is overmuch contemplation. 'To neglect this [physical labour] and say, "I will pray and meditate," is as if your servant should refuse your greatest work, and tye himself to some lesser, easier part. . . .' 'Grace', says a Puritan minister in 1658, 'comes with Majesty upon the heart. 'Tis not in *sermone* but in *virtute*. Grace doth not lie as a sleepy habit in the soul, but will put forth itself in vigorous and glorious actings.' To the middle classes, who already constituted the backbone of Puritanism, such admonitions must have seemed indeed inspired. To hear that what one is already engaged in doing to one's own profit on earth is the supreme means through which Heaven may be won is, indeed, news of so exhilarating a nature that one can hardly blame its recipients for being a little carried away by it. For several generations the Puritan middle classes had been rather in the position of pariahs, sneered at by the multitude and by the Court and repressed and harried by Church and State. Now at last a doctrine was being perfected which hallowed their practices and put them in the position of a chosen people.

Exhortations to a life of systematic industry found expression in the doctrine of 'a calling',¹ a phrase which is repeated with

¹ Weber, *op. cit.*, was the first writer to discuss fully the connexion between the Protestant doctrine of a 'calling' and economic enterprise. The connexion appeared to him to be very close and important. His views on this matter have been criticized by writers such as Brentano and Sombart, who have pointed out that the general conception, if not the name, of 'calling' or 'Beruf' was familiar and influential before the Reformation. Other writers, such as F. Rachfahl and Mr. Tawney, have pointed out that economic enterprise was present in an advanced form in countries where Protestantism was not widely diffused. It seems probable that, while Weber certainly exaggerated the originality and importance of the Protestant doctrine of a calling, this doctrine did provide added stimulus and inspiration to economic activity, in seventeenth-century England at least.

growing frequency after the middle of the seventeenth century by Puritan divines, and by writers on economic questions who made use of some of their assumptions. From insisting that 'it is action that God is most served and honoured by, not so much by our being able to do good, but by our doing it', Baxter goes on to explain how essential it is that this action should be confined within the disciplined framework of a calling. 'As labour is thus necessary, so understand how needful a calling is, for right perfection of your labours.' Various considerations must enter into the choice of a calling. First come the service of God and the community, then may follow more personal considerations, such as bodily health. Finally, Baxter declares that in due subordination to higher things worldly success and gain may be taken into account. 'Though it is said "Labour not to be rich," the meaning is, that you make not riches your chief end.' It is right and natural for a man to labour to improve his Master's talents. 'If God shew you a way in which you may lawfully get more than in another way (without wrong to your soul or to any other) if you refuse this, and choose the less gainful way, you cross one of the ends of your calling and you refuse to be God's steward.'

When the rest of Baxter's work, and his life, are borne in mind it is clear that he, and probably others like him, had no idea of encouraging industry to merge into unchecked industrialism. But, as in the case of Calvin and his qualified permission of usury, the part was to become magnified and the whole was to be forgotten. In a sermon delivered before the House of Commons the preacher remarks that religion has hitherto suffered the reproach of lacking practical value—"What profit is there in serving the Lord?" But its new and enlightened interpreters have, he says, freed it from this reproach by proving that with religion come not only wisdom and honour but riches and power. Lay writers were not slow to seize on this inspiring doctrine. Matthew Wren, writing in 1660, observes that 'faith is a successful grace, and hath a promise of prospering. Believe in the Lord your God, so shall you be established, believe his prophets, so shall you prosper.' Another writer remarks that

'a well-monied man that is prudent, by God's blessing gets up and above his neighbours'.¹

At home, the doctrine of an active faith helped to sanctify a growing industrialism. Abroad, it helped to sanctify the shadowy beginnings of imperialism. In the same way as chosen individuals were held to glorify God by rising to a higher position than their fellows, so a chosen nation was thought to exalt Him by dominating its neighbours. Nations, said one writer, should always be on the alert to attack and acquire fresh provinces as well as to defend existing possessions, 'for as Christ saith, to him that hath (using it well) shall be given. This riches is your strong tower.' Cromwell was continually haunted by the dream of a League of Protestant States, armed to defend their faith and ready to expand their power, and he was unable to understand what he felt to be the materialistic cynicism of the Dutch Commissioners who preferred to concentrate on the second to the exclusion of the first. A writer of 1657 described the way in which England's present and future greatness rested on a sure basis of special Divine favour. 'Believe it,' says this pamphleteer, 'a Christian State that shall cast itself and its affairs on the protection of Heaven and then set on action corresponding to that faith that religion enjoins, shall prove invincible, and mount to a higher pitch of greatness and Glory than ever yet was attained.'

Imperialistic schemes in Europe were doomed to failure, but in the American colonies there was considerable scope for an alliance of the adventurous and ambitious spirit with that of moral fervour. Colonization as a national and religious mission was advocated warmly by a Northamptonshire minister, who claimed to be supported by seventy English divines and some 'worthy Scottish ministers'. He declared that when Englishmen came to consider how fully the Gospel had been imparted to them, and how their country was rich in good shipping and other equipment, they must realize that they had been marked out for some special purpose. If they would but cast their bread

¹ Most of the quotations used here and in the following pages will be found in *Social Problems during the Puritan Revolution*, loc. cit.

upon the waters they might count on a generous return in material as well as spiritual blessings. 'Nor is the arm of the Lord shortened, or His wonted bounty to be restrained, but that undertaking of the voyage principally for God's glory and in compassion to men's souls, we may expect a more than ordinary blessing from Him, whose usual custom is to honour those who honour Him, and most abundantly even in this life to recompense such religious undertakings.' The fruition of such doctrine lay, of course, in the future, but in the West Indian expedition of 1655 there is clear trace of its workings. In recommending this expedition to the council Cromwell declared: 'We consider this attempt because we think God has not brought us hither where we are, but to consider the work that we may do in the world as well as at home.'

It was as though the tide of sanctified economic enterprise having once turned, its onrush gathered increasing volume and impetus, sometimes by the addition of new elements, sometimes by the final crumbling of old barriers. Occasional voices, like those of Baxter and George Fox,¹ were raised in warning or even execration, but they were unheard or rapidly forgotten. The doctrine that inward salvation should be expressed in continuous worldly labour merged into the belief that success was the hall-mark of godliness. Achievement rather than effort became the passport to salvation in the next world, as it had always tended to be the passport to honour and power in this one. The unforgivable sin in the eyes of God and man was failure, a nightmare which came to haunt all but the very wealthy with a new terror.

A sermon preached in 1655 before the lord mayor and aldermen and dedicated to Sir Christopher Packe, one of the most powerful commercial magnates of the day, shows how insidiously yet triumphantly the change of doctrine could come about. The preacher remarks, and here even Baxter would

¹ The sects, and particularly the Quakers, in this period were much less ready than the more orthodox Puritans to embrace enthusiastically the creed of economic salvation. George Fox attempted to bring home both to Christian subjects and their rulers a sense of the dangers of money-getting, and of responsibility towards the poor. See on this point, I. Grubb, *Quakerism and Industry before 1800*, 1929.

have agreed with him, that the warning against laying up earthly treasures should not be taken too literally. 'Industry and diligence in a lawful and warrantable vocation and calling, in order to gain a competent provision of earthly things for our children and relations, is not condemned in sacred writ, but commended.' Men should not fall into the old-fashioned error of thinking that earthly success makes their hope of Heaven more slender. On the contrary, 'wisdom is more conspicuous and useful with than without an inheritance. A diamond in a dirty rag is a diamond, but in a gilt ring it sparkles and is more illustrious. So grace in a poor man is grace, and 'tis beautiful, but grace in a rich man is more conspicuous, more useful.' One imagines that the city magnates came away from this discourse like giants refreshed. In a far-off age which was soon to be regarded as hopelessly dark and unenlightened, ecclesiastics and even laymen had been disposed to regard poverty with a sort of mystical reverence. When on earth Christ had chosen the lot of a poor man and part of His nature was thought to be incarnate in the poor. Almsgiving and the washing of beggars' feet were capable of increasing even a king's hopes of Heaven. Now, with a completeness which may appear startling till the long preparation for it is remembered, the positions were reversed. Another preacher in the fifties of the seventeenth century declared that rich men should be specially zealous in serving God because their wealth and power made them more closely akin to Him. 'If the man be gracious and religious that is great and rich, he will make sweeter harmony and melody in God's ears than if he were poor and in low estate.'

It was only a short step from the praise of riches as a Heaven-sent reward to the condemnation of poverty as a Heaven-sent punishment. After the middle of the seventeenth century, a distinct and momentous change is visible both in public policy and private opinion towards the problem of poverty and the allied problem of enclosure. Some writers and preachers, including Puritans themselves, attributed the change to a lack of charity on the part of followers of the Reformed religion. A prolific pamphleteer, Sir Balthazar Gerbier, declared that men

would be much better off 'if the Papists did rely as much on faith as reformed professors of the gospel (according to our English tenets) do; or that the Reformed professors did so much practice charity as the Papists'. A Puritan minister, preaching in 1658, admitted that the Church of Rome was not altogether mistaken in accusing the Reformed Churches of uncharitableness. 'Christians', he said, 'must not only have the wings of faith to fly, but hands under their wings to work the works of mercy. . . . The lamp of faith must be filled with the oil of charity. . . .' George Fox bewailed the fact that there was so much profession of religion and so little practice of charity, and he appealed to the Protector and Parliament and to the London city authorities to lighten the burden of the poor.

Fox's exhortations were ignored, together with those of other sincere Puritans who were unhappily conscious that victory was not bringing the realization of all that they had hoped for. But they were ignored less because of deliberate hardness of heart on the part of their hearers than because the prevailing Puritan ideal and way of life held no place for them. This ideal was concerned not with the social but with the individual implications of Puritan faith, and the type of individual which it presupposed and nurtured was not a weak-kneed failure, but a self-reliant, prosperous tradesman or farmer, who both demonstrated and strengthened his spiritual blessedness by unremitting toil in his calling. Idleness was always unnecessary and reprehensible, and, as Baxter pointed out, was to be condemned as severely in the rich as in the poor. But inevitably, since the poor were more vulnerable than the rich, their vices were subjected to a more searching scrutiny, and even before the gospel of success had completely ousted that of effort the penniless vagabond was harried much more severely than the idle gentleman.

Turning his back resolutely on the flesh and the devil which entered into almost all worldly pursuits, the Puritan eschewed in particular those sports and games which the Anglican Church had tolerated or even encouraged. During the Interregnum the chief national amusements were subjected to severe, if

possibly ineffective condemnation. Maypoles, the peculiar symbols of ungodliness, were ordered to be removed, and cock-fighting and play-acting were forbidden, the latter under severer penalties than the former. Horse-racing was discouraged, but less emphatically, for, as Major Whalley pointed out to the Protector in a letter from Lincoln, it was popular with gentlemen. At the Restoration the Sport of Kings came fully into its own and amusements of all kinds were indulged in with the zest of reaction. But the gospel of hard work, unrelieved by relaxation, was too convenient to be overthrown so far as the lower classes were concerned. It was seized upon with avidity by the Political Arithmeticians and adapted to ends unforeseen by its original authors.

The new attitude towards poverty is seen in process of formation in the numerous discussions and the scanty legislation on the subject during the Interregnum period. The attempt to reform social and economic conditions as a corollary to political reform was not confined to the Levellers and Diggers. A larger, and sometimes influential body of progressive liberal opinion was concerned with questions of poor relief, law reform, education, and other projects. Meanwhile, the conservative point of view was represented by such men as J. Cooke, the author of the *Poor Man's Case*, and T. Moore, the Leicestershire minister who took up the cudgels on behalf of the peasants. The attitude of these writers to poor law and enclosure problems is one of regret for a fast-dying type of society and theory of social obligations. Cooke bewails the fact that, while the necessities of the poor have never been greater, now 'every one projects for himself to spend as little as may be, but who takes care for the poor, how shall they be provided for?' In this he was supported by a minister, who, preaching in 1644, rebuked the growing number of his congregation who did not regard poor relief as a duty. 'They think it to be a thing arbitrary, and not necessary, they may do well in giving relief or they may let it alone and not do amiss; who shall compel them to give away what is their own?' Cooke's remedy is a return to a state of society in which the rich, while in possession of large estates, shall be conscious of

the social obligations which these entail and give freely and as a matter of course to the poor. He admits, however, that such a return is fraught with difficulty, for landowners are not what they used to be, being often rich merchants, tradesmen and usurers, who have a natural disposition to make all they can out of their estates and to disregard charity.

This admission was, in fact, the weak chink in the armour of Cooke, Moore, and the few others who reiterated the old view of society as an organism, with different classes of members performing different duties. In some parts of England families like the Verneys might approximate to the ideal of the paternal, benevolent landowner, but the general reality was far different. During the decade 1640-50, a considerable number of estates had changed hands as the result of confiscations and forced sales. Just as in the case of the Reformation land changes, there had been an orgy of land speculation in which, significantly enough, leading Puritans like Wildman and Samuel Chidley had been conspicuous. Complaints of the new landlords as being 'the greatest tyrants everywhere as men can be, for they wrest from the poor tenants all immunities and freedoms they formerly enjoyed',¹ were probably as much exaggerated as the sixteenth-century fulminations against the purchasers of monastic estates. Nevertheless, the records of the Committee for Compounding show that there was some solid basis for these complaints, and that the new landlords showed a distinct disposition to screw up rents and fines and look critically on customary rights. Moreover, the newest, most significant, and untractable development in the State was that of industry and commerce, and any social theory which ignored its implications was doomed to ineffectiveness and failure.

Thus, in the matter of poor relief as in other problems, the most important and influential discussion came from those who had grasped, sometimes too enthusiastically, the realities of their time. Such writers as Peter Chamberlen and Samuel Hartlib, the friend of Milton, looked forward rather than backward and

¹ Quoted from a contemporary letter to a merchant in Paris, in *Social Problems*, loc. cit., p. 87.

examined the problem of poverty in the light of a knowledge of commercial developments and administrative improvements. Religion played little or no part in their calculations. The problem seemed to them merely one of first-class secular importance. They rightly fastened on the able-bodied, workless poor as the crux of the situation and aimed at perfecting an organization which would enable them to shift for themselves. It was, indeed, not so much poor relief as instruction in the doctrine and practice of self-help at which they aimed. The training of children in useful occupations, the setting up of labour exchanges, the provision of stock for beginners in trade, all these were included in the schemes which they proposed. But already a suspicion had entered their minds that the hearts of the poor were very evil. It was not enough to provide incentives to industry. Deterrents to idleness must also be devised. It was here, rather than in their more constructive schemes, that the liberal reformers were building for the future. In this connexion they stressed the importance of Houses of Correction where the stubborn poor were to remain, 'in hard work and hard lodging', till they promised amendment. They proposed to check vagrancy by confining vagrants in London Houses of Correction, or sending to the galleys and plantations those who lived at a distance of more than thirty miles from the capital. In the writings of the most humanitarian of these reformers there appear clear traces of a ruthless attitude towards the less tractable poor. Hartlib had no mercy for the 'obstinate, ungodly poor', and declared that the Biblical injunction of 'he that will not work neither shall he eat' showed that religion and wise policy were in agreement on this point. Another writer advocated starvation as the best means of forcing men to work, and the author of a pamphlet called *The Office and Duty of Church-wardens* declared that the House of Correction with its hard work and severe punishments was too enviable a fate for the incorrigible idler.

Official policy was not uninfluenced by the spirit of constructive reform. From 1645 until the end of the Interregnum, a continuous stream of parliamentary resolutions, the setting up

of numerous committees and the drafting of legislation all bear witness to good intentions in this direction. But to evolve a satisfactory constructive policy was hard. It was far easier and far less controversial to concentrate on the suppression of vagrancy, which was undoubtedly a specially urgent problem during these unsettled years when the vagrant could so easily pass into the conspirator and rebel. The weakening of the arm of the central government, through the abolition of conciliar administration and the disorganization of local authorities, had created, as well, a serious administrative deficiency which did not promise well for the execution of new and difficult schemes. Thus official policy came to reflect clearly the heightened severity towards vagrancy and poverty, while catching but few gleams of the more humanitarian and constructive spirit which appears in the writings of men like Hartlib. The view of the vagrant as invariably a wilful idler and potential criminal was reflected in the legislation of 1657, which enacted that any idle person who was found wandering away from his place of abode should immediately be apprehended as a rogue and punished as such, even though he was not convicted of begging. The Settlement Act of 1662 codified what had become a fairly common practice among local authorities by authorizing any two justices to force an itinerant, workless man to move on within forty days.

Equally significant was the development during the Interregnum of a body of opinion which regarded the poor, properly organized, as a commercial proposition. The responsibility for the development of this view must be attributed in part to the liberal reformers, who hoped to revive and strengthen existing methods of poor relief by infusing them with the vigorous blood of commercial enterprise. Chamberlen hit on the ingenious idea of forming the poor into a joint-stock company, by which means they would be turned from a bad national debt into a valuable national asset. His first concern was, however, with the poor themselves, and he declared, to the scandalization of some of his critics, that he hoped by this means so to improve their condition that the present unequal distribution of wealth

would be abolished. But even under the Commonwealth, and increasingly at the Restoration, those who looked to the commercial model for help in the solution of the problem of poverty came to confuse the means with the end. T. Jenner, writing in 1651, sets out to prove that the unemployed can be absorbed in the fishing trade, but ends up by total preoccupation with the importance of fish.

The more enlightened among Tudor and early Stuart statesmen had realized that the problems of poverty and enclosure were closely related. Only by keeping a watchful eye on one of the chief fields where poverty originated could governments hope to fulfil their aspiration of keeping every class in the State in a condition of reasonable prosperity. Thus, all through the sixteenth century and down to 1640, legislation had been passed, commissions had been set up and councils had intervened with the object of checking the progress of enclosure when this seemed likely to cause social injury. With the outbreak of civil war, the overthrow of established authority and appeals to the 'People of England' to rally to the parliamentary fight for freedom, came attempts on the part of some of these people to interpret for themselves the meaning of freedom. The *Parliamentary Journals* for the years 1640-4 are full of references to the breaking down of enclosures, the lands of the royal family being among the first to suffer, and in 1643 Parliament passed an ordinance to suppress enclosure riots in Somerset, Dorset, and Wiltshire. Complaints against copyhold and primogeniture were rife, and in 1649 the government was shocked and amazed to hear from the Diggers' own mouths of their attempt at communistic agriculture on St. George's Hill in Surrey. At any previous date such widespread evidence of agrarian discontent would have led to the appointment of an Enclosure Commission, and probably to some action on behalf of the peasantry. The attitude of the Interregnum governments was significantly negative. It is true that, during the rash and short-lived rule of the Parliament of Saints, measures for regulating copyhold and restraining enclosure were considered. But when Bills touching these subjects were introduced in 1656 both were rejected, the

first on the grounds that it 'contravened the orders of the House', the second for the reason that it might 'destroy property'. With the rejection of these measures came the final abandonment of any attempt on the part of the government to legislate on behalf of the peasantry. The Major-Generals distinguished themselves by making what is also the last recorded attempt in the counties to bridle the activities of landlords. Enclosure was proceeding particularly rapidly in the midlands, and in Leicestershire, one of the counties most affected, the peasants found a spokesman in the Rev. Mr. Moore of Shearsby. Possibly as the result of information furnished by him Major-General Whalley took some action in Leicestershire on behalf of the peasants, and wrote to the Protector that the question of enclosure needed investigation in the whole group of midland counties.

Neither Major-General Whalley nor Moore, with his denunciations of self-seeking landlords, represents the successful and growing forces of the time. Moore's language and attitude are reminiscent of Latimer, and Latimer had preached to deaf ears a century before. The Leicestershire minister, speaking with a conviction born of personal experience, describes the misery and depopulation which he has witnessed in his own county and appeals to landlords to reform their conduct in the light of Christian principles. 'Thou must look whether thou hast right in the Court of Conscience as well as in the Court of Law. Whether thou hast right in the Consistory of God as well as in the Common-pleas of men. What, mayst thou do with thine own what thou listest? No; thou must do what God would have thee to do with it.' Such exhortations awoke little or no response. Far more in tune with current theory and practice was the doctrine of Joseph Lee, another minister of the Gospel who wrote on enclosure. In his *Vindication of a Regulated Enclosure*, he upholds the right of every man to do the best he can for himself. 'May not everyone lawfully put his commodity to the best advantage, provided he do it without prejudice to others? Do not all tradesmen lust to lay out their money upon such wares as will be most advantageous to themselves? Have not landholders as much reason, and may they not with as good

conscience put their land to the best advantage?' This is indeed a complete reversal of the traditional attitude of religion. The tradesman, far from being suspect by reason of the peculiar temptations which assail him, is now held up as a model. What were temptations have now become natural appetites. 'It's an undeniable maxim', says Lee, 'that everyone by the light of nature and reason will do that which makes for his own greatest advantage.'

The Interregnum, with its break-down of old authorities and loyalties and its readiness to experiment with fresh ones, was the time when the new attitude towards social and economic questions crystallized. After the Restoration it can be seen in its full clarity. The difference between the dominant social theory and policy of Restoration England and that of the Eleven Years' Personal Government is striking. The blurring of outlines and the continuance of old loyalties and cross-currents, usually to be found in any period of change, were reduced to a minimum. The truth is that religious, political, and economic developments worked together in unusual harmony to bring about the new society. Again, it must be remembered that the forces making for change were deep-rooted and of long growth, and had only been awaiting an opportunity to vanquish their opponents.

After 1660 there are few traces of opposition to the new developments in agriculture and in the treatment of the poor. Enclosure by Chancery decree was pushed rapidly forward, various attempts were made to pass a general Enclosure Act, and Houghton, an agricultural expert, wrote in 1681 of the many enclosures which 'have of late been made, and that people daily are on gog on making, and the more, I dare say, would follow would they that are concerned and understand it daily persuade their neighbours'. In the eighteenth century the agricultural experts and the ambitious and enterprising landlords were to carry all before them, and the protests of the peasantry were to be treated as wilful perversity.

It was not that men had grown peculiarly rapacious or hard-hearted but that their whole view of social right and

expediency had materially altered. The selfish landlord and the greedy tradesman were familiar enough figures, but hitherto their activities had gone unshriven by the Church and unrecognized by the philosopher. Now all was changed. The doctrine of a calling was reiterated and developed after the Restoration. Doubts and qualifications had disappeared, or had become negligible. Continuous employment in profitable industry was held to be necessary and beneficial both for body and soul. 'Next to the saving of his soul, the tradesman's care and business is to serve God in his calling, and to drive it as far as it will go.' The author of this saying was Richard Steele, a London Nonconformist minister, who published in 1684 *The Tradesman's Calling, being a Discourse concerning the Nature, Necessity, Choice, etc., of a Calling in General*. In this work he pays a rather vague and unsubstantial lip-service to the traditional doctrine of equity and charity in bargaining, and he is clearly convinced that the old regulations by which such conduct was enforced are useless. 'Here, as in many other cases,' he says, 'an upright conscience must be the clerk of the market.' The main point which Steele endeavoured to drive home to a probably receptive audience was that there was no antithesis between the religious and business virtues. 'Prudence and Piety were always very good friends. . . . You may gain enough of both worlds if you would mind each in its place.' Trade is the Christian's 'proper province', wherein he can expend his energies and ambitions. 'Your fancies, your understandings, your memories . . . are all to be laid out therein.' While obvious oppression and extortion are to be avoided, no Christian should refuse to 'take the advantage which the Providence of God puts into his hands'. This advantage is not to be dissipated in riotous living, or, indeed, in needless expenditure of any kind. Prudence and thrift are among the cardinal virtues and every tradesman should 'live rather somewhat below than at all above his income'. Steele only expresses with unusual clarity and detail a characteristic attitude of all Puritan writers of his own and succeeding generations, and of those lay writers who found it convenient to have an ethical justification for their theories. John Bunyan declared

that at the day of Judgement the question asked of men would not be: 'Did you believe? but, were you doers or talkers only?' The author of *Robinson Crusoe*—'the prose epic of self-help'—published in 1726 the *Complete English Tradesman*, which consisted of maxims for the guidance of the would-be trader. 'Trade', he says, 'must not be entered on as a thing of light concern; it is called business very properly, for it is a business for life; . . . nothing but what are to be called the necessary duties of life are to intervene and even those are to be limited so as not to be prejudicial to business.'

Since industry and success were invariably the means to, and the manifestation of, righteousness, idleness and failure were naturally the reverse. The tendency to regard poverty as a crime and unemployment as a mere pretext for sloth was accentuated, partly by reason of the hardening and narrowing of religious thought on the subject, partly through the development of a mechanistic theory of society, and partly because the increased volume of national trade seemed to indicate that there was no necessity for any one to be idle. William Petty, writing in 1662, declared that 'it is improper to give anything to beggars whom the law of nature will not suffer to starve'. Defoe, in 1704, was able to stop the passage of a Bill to levy rates for carrying on manufactures in workhouses by insisting that: 'It is the men that will not work, not the men who can get no work, which make the numbers of our poor.' No able-bodied Englishman, he maintained, need be idle, and the various institutions and devices for employing the poor were merely public nuisances. 'Truly the scandal lies in our charity, and people have such a notion in England of being pitiful and charitable that they encourage vagrants, and by a mistaken zeal do more harm than good.' In the eighteenth century the workhouse became a kind of penitentiary, a place where the poor and unemployed could be made to feel the contempt and disapproval of society.

But while poverty was an individual vice, it was discovered by the Political Arithmeticians¹ to be also a public convenience.

¹ For quotations from these writers, see E. Furniss, *The Position of the Laborer in a System of Nationalism*, Cambridge, U.S.A., 1920.

The poor, provided they were ready to work for low wages, were a national asset, and the economic literature of the later seventeenth and eighteenth centuries is full of schemes for exploiting this asset to its fullest extent. Thomas Mun wrote in 1664 that 'penury and want do make a people wise and industrious', and a century later Arthur Young was to state roundly that 'Everyone but an idiot knows that the lower classes must be kept poor or they will never be industrious'. Various methods were suggested for bringing about conditions which would be conducive to unremitting, poorly-paid toil. Petty, remarking that plentiful and cheap corn supplies fostered a too independent spirit, suggested a scheme whereby public granaries should absorb the surplus crop in years of plenty—an illuminating contrast to the former use of such granaries, which had originally been set up to provide the poor with corn at reduced rates. Arthur Young agreed that 'living must be rendered dear before that general industry which alone can support a manufacturing people will be rooted among them', and Houghton and William Temple suggested that a tax on necessities was the best way of keeping a sharp edge on the goad of poverty. Discouragement of amusements was another way of fostering industry, and here the abstinence which the Puritans had originally preached to all classes became a medicine peculiarly applicable to the poor. There were various attempts to calculate how much the nation lost by the frivolity of its labouring population. Pollexfen, one of the school of Political Arithmeticians, estimated the national loss through unnecessary holidays at £500,000 for every holiday which was kept. Fielding, in the next century, pointed out that for the poor the commandment of 'Six days shalt thou labour' was imperative. For the rich there was some dispensation. 'I confine myself', he says, 'to the lower orders of the people . . . to the upper part of mankind, time is an enemy. . . . Their chief labour is to kill it.'

Writers like Pollexfen and Petty did not despise the sanction which religion gave to their praise of industry and condemnation of idleness on the part of the lower orders. But their main assumptions and conclusions were entirely independent of any

religious aid. They were, in fact, members of a considerable body of publicists who disseminated the new philosophy of Reason and the discoveries of mathematicians and physicists in their more practical and digestible form of mechanistic common sense. What Descartes had done in France to remove barriers in the way of individual inquiry and energy, Hobbes and Locke, with a closer attention to political implications, were to do in England. Despite considerable differences of detail, both these writers were agreed that the State had originated for human convenience and should continue to exist for that end. It had its hands full with the preservation of earthly order and should not advance impracticable and unjustifiable claims to be concerned with heavenly order. 'The Commonwealth', said Locke, 'seems to me to be a society of men constituted only for the procuring, the preserving and the advancing of their own civil interests. Civil interests I call life, liberty, health and indolency of body; and the possession of outward things, such as money, lands, houses, furniture and the like.' Again: 'the law maker hath nothing to do with moral virtues and vices nor ought to enjoin the duties of the second table any otherwise than barely as they are subservient to the good and preservation of mankind under government.' One of the most important rights which it was the business of the State to preserve was that of property, the owners of which in the eighteenth century were to acquire part of the aura of divine right which had been discarded by the monarchy.

Locke's conceptions of the function of the State and the position of property were important in helping to mould the social assumptions of succeeding generations. But the philosopher works in the background, necessarily somewhat detached from the practical, everyday world which in the first place influenced, and now feels the repercussions of, his theories. On a lower plane, but probably more immediately influential, were the host of writers who translated the dictates of Reason into those of Common Sense and showed how useful and beneficial these could be in field and workshop. Already during the Interregnum, there were whispers of that doctrine of Utili-

tarianism which was to gather strength during the next century and a half till it had succeeded in ousting all other philosophies. Marchmont Needham, pleading the case of the Commonwealth government, appeals frankly to appetite and convenience, 'the greater part of the world being led more by the Appetites of Convenience and Commodity than the dictates of Conscience'. Another pamphleteer anticipates the famous 'pleasure-pain' theory. It is wrong, he says, to allow religion to interfere with the deeply engrained human instinct to follow pleasure and avoid pain. 'For, as the sense of pleasure and enjoyment was implanted as well to witness God's bounty as to provoke us to gratitude; therefore unnecessarily to abate man's pleasure is to abate God's glory.' When applied specifically to economic matters the doctrines of utility and reason made rapid strides. In this sphere they had been tacitly accepted for some time, and here they were most at home. Joseph Lee, minister of the Gospel though he was, had no hesitation in making use of them when discussing the vexed question of enclosure.

Why is not God's glory our end? Forsooth because we aim at our own gain and advancement of our estates. Are these two ends always incompatible? . . . Do not tradesmen in following their vocations aim at their own advantage, do none of them glorify God thereby? . . . But why do I speak of earthly things, do not the Saints in all their doings and sufferings for God aim both at God's glory and their own advantage, viz., the salvation of their souls?

Another writer, who had prepared suggestions for an experiment in the fishing trade, insisted that men would not be satisfied until:

the affairs of this nation shall be so happily ordered as that every private man may see the public strength and his own safety in it consisting in and extracted out of his own private happiness and plenty, and those in the first place provided for, and the means of that strength to be no other than such as himself voluntarily seeks and submits to. And that all the other present great pressures on private estates be taken off.

Under the Commonwealth, the apostles of a mechanistic, common-sense view of society wrote with a sense of the need

to assert themselves against the dying embers of an old conception of social ethics and the occasional flares of a newer doctrine of social discipline, enforced spasmodically by Presbyterian *classes* and Major-Generals. After the Restoration much of this sense of strain vanished. Men of all classes and creeds were very weary of controversy and very ready to seek broad and pleasant paths in which all could walk. One of these paths was that of scientific knowledge in its various forms. Macaulay records how 'Cavalier and Roundhead, Churchmen and Puritans were for once allied' in devotion to their newly discovered interest. In this atmosphere it was comparatively easy for the Political Arithmeticians, led by William Petty, to state their creed with little fear of opposition. Knowledge, as one of them said, had 'in great measure become mechanical'. Petty, in the preface to his *Political Arithmetic*, declared that his intention was to allow his subject 'to express itself in terms of number, weight or measure, to use only arguments of sense, and to consider only such causes as have visible foundations in nature; leaving those that depend upon the mutable minds, opinions, appetites and passions of particular men to the consideration of others'.

There was little room here for the intrusion of a religious ideal of economic conduct, still less for the framing of ethical regulations for particular economic transactions. Any such intrusion would have upset the beautiful mathematical balance and rule which these early devotees of exact science were optimistic enough to hope to apply to human society. No battle took place because no intrusion was attempted. Anglican authority and Puritan discipline alike had been discredited during twenty years of conflict and experiment, and drained of vitality by the vigorous, all-conquering religion of trade. No one was anxious to revive them, for the desirability of the abdication of religious authority from its former position was another point on which Puritan and Anglican could agree at the Restoration. At a time when freedom of choice in the matter of religion had still to be conceded, there was much to be said even by believers for resistance to the encroachments of a State Church on secular life; though it is probable that it was

more often economic interest than religious principle which supplied the motive for resistance. William Penn, himself a genuine apostle of toleration, summed up the general point of view when he declared: 'Not many good days since ministers meddled so much in laymen's business.' A few voices, like those of Baxter and Sanderson, were raised in defence of the old view that the Church should exercise social control, but such defences were rare. It was partly that discretion had become the better part of valour. No longer could the State Church rely on the secular arm for support in its social strictures, particularly if these were applied without respect of persons. Nor could Nonconformist ministers hope for support from their congregations if they attempted to repress profitable activities. When in 1692 the minister of a church in Lombard Street preached a sermon against usury, he was forced to leave. In the eighteenth century Church and State, religion and business, worked together in the greatest harmony, for there was now, as Mr. Tawney has said, a limited monarchy in Heaven as well as upon earth.

But neither Anglicanism nor Dissent gave up their attempt to control economic life solely because of the difficulty and unpopularity of the task. Their abdication was, in the main, due to a change of attitude within their own ranks. To the Anglican Church intervention in secular affairs now appeared superfluous and unjustifiable. Religion had become an entirely private matter which it was irreverent and, still more, ungentlemanly to obtrude into everyday life. So far as the established Church had any views on social justice and expediency it accepted those which were current and influential, particularly among the upper classes with whom it became increasingly identified. To the Nonconformist Churches any widespread intervention in economic life seemed unnecessary, since the individual effort and enterprise which they aimed at encouraging were now allowed ample scope. What had once been vices now became virtues. It was the poor man rather than the rich man who had to pass through the needle's eye. So, in the eighteenth century, repression of the poor was all that remained of the old ideals of social solidarity and control which

had once been held by Reformer and Catholic, Puritan and Anglican alike. When a series of mechanical inventions opened up new avenues for business enterprise, men were ready to speed down them with never a glance backwards or a pause for examination and criticism. It is to their achievements that we owe what is now generally admitted to be the wonderful but chequered inheritance of the Industrial Revolution. Among the swiftest and strongest runners were those who were influenced by Nonconformist teaching. Professor Ashley, in his *Economic Organization of England*, made the suggestion that some of the peculiar characteristics of nineteenth-century capitalism were due to the fact that the magnates of the Industrial Revolution had been, for the most part, men of a Nonconformist habit of mind. This suggestion has been borne out by the detailed investigations of later writers, such as A. P. Wadsworth and T. S. Ashton.

The Nonconformist Churches put no barriers in the way of such enterprise because it never occurred to them to do so. Halévy, in his *History of the English People*, has suggested that Wesleyanism condoned the activities of the pioneers of the Industrial Revolution because 'no Church can succeed without coming to terms with the Devil'. But the significant fact is rather that Wesley and his followers never realized that there was a Devil here at all. The name of 'Methodists' is itself revealing, for it shows that certain features which had long been implicit in the doctrine and way of life of the Nonconformist sects had now become explicit. The virtues inculcated by Methodist teaching attracted money and success as a magnet attracts steel. Wesley was, indeed, conscious that this worldly success of the godly held certain perils, but he regarded the success itself as inevitable and could only suggest that constant care and charity should be exercised.¹

The development of the spiritual and intellectual foundations of modern industrialism is seen most clearly in England, but what had happened there took place also in other countries which had felt strongly the influence of the Reformed doc-

¹ For a discussion of this subject, see W. J. Warner, *The Wesleyan Movement in the Industrial Revolution*, 1930.

trines, particularly in their Calvinistic forms. In France, Holland, America, Scotland, and even Geneva, the same kind of development took place. The rigours of Calvinistic discipline were overthrown or decayed, the inspiration to individual economic activity remained, drew strength from other sources, and grew into large and strange shapes which would often have horrified Calvin himself. The decline of discipline in the French Calvinistic Churches took place in the first half of the seventeenth century, while not many years later the States of Holland and West Friesland sounded the death-knell of ecclesiastical control by declaring that the Church had no business to meddle in financial matters. In America the narrow intolerance of the early Puritan settlers, both in the religious and economic spheres, was mellowed by the growth of security and prosperity and by the foundation of later settlements like Rhode Island and Pennsylvania, which, from the beginning, were free from both the ideals and practice of collectivism. In the writings of Benjamin Franklin in the eighteenth century individual enterprise and devotion to business were surrounded with an unmistakable halo. This was the only mysticism which he and others of his school were ready to admit, but it was really a considerable exception. To enshrine in poetry, in legislation and philosophy the doctrine that self-love was the same as social argued, one would imagine, devotion to a Faith rather than adherence to Reason.

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THE EUROPEAN PEASANTRY, 1600-1914

By MONTAGUE FORDHAM

CHAPTER I

INTRODUCTORY

I. PEASANT PERSONALITY

IT is a common mistake to look upon the peasant as a stupid person. It is true that extreme poverty and his being denied the privilege of education may create an apparent mental dullness. In fact, there is a special intelligence to be found amongst a considerable section of the European peasantry. It is not always easy for cultured persons to get into touch with this intelligence, for our present civilization—distinct from all its predecessors—is a literary civilization; we express ourselves in reading and writing. This is what the typical peasant has not had the opportunity of doing during recent centuries and seldom does to-day; he expresses himself in action. This difference in method of expression is, it is suggested, the barrier that lies between the peasant and the intellectual world. Penetrate behind that barrier and you will find a confirmed realist, a man who has acquired the habit of seeing things as they are. It is this quality that distinguishes him from the rest of the world, as may be clearly seen if one considers life in some detail. Whatever other people may or can do, he will never gather ‘figs from thorns’ nor ‘grapes from thistles’. His work must be well done or his crops will suffer, and if he neglects his cultivation in any detail the results show promptly.

It does not necessarily follow from this that he cultivates his land well. It may suit his temperament better to cultivate it in the traditional manner and make a simple living. Or he may find in common with other agriculturists that rough farming pays him better than high farming, in which case, having maybe a wife and children to support, he farms his land in the least costly way. But all this merely goes to prove that he is fundamentally a realist.

There are other special points in the peasant's life and character. Within the limitations of his work he is adaptable and ingenious; as a result he constantly develops a highly skilled craftsmanship and an amazing ingenuity. He may be able to build his house and to make his own tools, in preparing which he is often extremely inventive. Moreover, unlike many industrial workers, he is never governed by the machine; it is his tool, not his master. He has, of course, a master; it is the weather, but of that he constantly develops a very special understanding, which enables him to predict what is coming, and thus avoid disasters. Further, the very nature of his work forces him always to be thinking about it in practical detail; this thinking being of the future as well as of the past and present is essentially constructive. When he sows his corn he is looking forward to the crop, when he takes his sow to the boar he is considering the litter: he sees everything evolving around him, his mind follows the events from beginning to end, and so acquires a special mental quality. He may well become, within the limitations of his occupation, a master in constructive thought, a characteristic that civilization has weakened and often destroyed in other classes. It is this characteristic, combined with his realism, that so often helps the peasant to arrive intuitively at the solution of many of life's problems that baffle the minds of his more cultured neighbours.

Combined and contrasting with the peasant's realism and his power of constructive thought is a certain mysticism born of his close contact with the perpetual miracle of Nature. A wounded soldier of French nationality but of the Basque race, one of the peasant aristocracies of Europe, gossiped thus during the Great War of the religious life of his own home. After some adverse comment on the comparatively pagan French, he continued: 'On Sunday the whole village goes to mass, save only those suffering from great illness—we never work on Saints' Days, nor on Sundays, save in case of urgent need.' The same observance of many saints' days as holidays was, until recently, and perhaps still is a striking feature of the nominally orthodox Ruthenian peasantry, as of others of eastern

Europe. In the years immediately after the Great War, when the whole life of the Ruthenian communities of the devastated provinces of east Poland depended on their utilizing a few fine days to sow seed provided by relief committees, the peasants refused definitely to work on Sundays and saints' days.

The peasant is as often as not a born actor; in early times his plays and pageants were famous, and these in their primitive form survive to-day in some parts of Europe, notably in Portugal. The peasant's games and little plays were full of mimicry, and even to-day the revival in Britain of pageants and village drama has shown that this peculiar peasant quality has survived.

Furthermore, his life is by tradition communal, and unless he is forced into an individualistic mould, as he has been in Britain and France, he is inclined to co-operation and to work in joint enterprises with his fellow peasants. He clings closely to his land, for he feels that so long as there is a plot of land to be cultivated his family will not starve: and having a hopeful temperament, he believes that however bad the times are, one day they will be better. Nevertheless he will, especially in his youth, go off on adventures. Peasants from the earliest times have always been wandering over Europe, in search of work or adventures, or with plans for colonization of new areas. Later he is found migrating to the town or to foreign countries; to-day his wanderings are only stopped by the economic conditions which prevent his moving from country to town or to foreign lands.

His mind not being clogged with words and phrases, he may develop an amazing memory of matters in which he is directly concerned. This high development of memory, combined with a habit of telling stories that are passed from generation to generation, creates a traditional knowledge which may, of course, though founded on fact, be somewhat inaccurate in detail. He is often a fine judge of character: a quality that may operate to his disadvantage, for he may trust and follow a man of high character who, if he be a fanatic, may lead him astray.

He has a devotion to his work which is full of essential

interests, and this, when he becomes involved in the trammels of a competitive world, often results in his working long hours. But when we study the peasantry in its more primitive form in eastern Europe to-day and in the history of almost every European country it is seen at once that the peasant, though he works hard when he does work, is not naturally a worker of long hours, and is inclined to give ample time to the pleasures of his life. He loves gay clothing, and if he has the opportunity observes the saints' days of the Church as holidays. He knows how to enjoy himself—a rare and invaluable quality. His amusements, which until recent times have been simple, have occupied in the past, and in cases where primitive conditions prevail, still occupy much of his time. Music, dancing, acting, and drink have provided him with his main pleasures: and none of these have cost him money, except maybe the drink—though even that he may make himself.

The peasant of the true type may still be found in Poland, east of Warsaw, and elsewhere in eastern Europe amongst the Slavonic races, perhaps also in Spain, and certainly in Portugal and Ireland, whilst the underlying basic characteristics of the peasant are constantly cropping up.

2. THE RACIAL STORY

Peasant life has always varied in detail from community to community, which makes any exact generalization difficult. There are, however, a few outstanding facts that may be given in outline, even if such generalization leads to occasional overstatement.

At some period in the racial life of the European peasantry as a whole (with possible rare exceptions such as, for example, the Basque communities) the peasant is found supplying the foundations of a feudal system, either of a true or of a bastard type.

He is under the dominion of a seigneur or lord, who may be a layman or an institution of the Church. This dominance may, on the one hand, be nominal and even sympathetic, or, on the other hand, it may control the whole of his life and actions in

such a way that he is substantially a slave: between these two extremes lies every form of control. The control may not be merely personal, for the lord may have his claim on at least some part of his wealth. This part may be greater or less; in extreme cases it may extend to all and sometimes more than all of the surplus over that which is required for the subsistence of the peasant and his family: in which last case he may be reduced to abject poverty and misery. Concurrently his lord may be his ruler and also his judge, from whose courts there may be no effective appeal.

Intermittently the peasant, aided by his communal organizations, struggles against this dominance, but even as he obtains partial or complete freedom, it may be that he gains but little improvement save in his status as a man. The controlling fact in his racial life is indeed this: he concentrates his energies on his own daily work and his own social and personal interests, whilst his intelligence, although acute in matters relating to his work, is normally very limited in relation to the ordinary business side of life. As a result the peasantry are likely in an acquisitive civilization to be at the mercy of persons more clever and powerful than themselves. Thus we find the peasant, even during the lord's dominance, or more definitely as he frees himself, passing under the control not only of the landlord, where such exists, but of the traders and lenders of money. Thereafter it may be the turn of these traders and money-lenders to absorb the greater part, and sometimes all or more than all, of his surplus wealth.

From this economic control the European peasantry have escaped or tried to escape by co-operative action, in early days by minor efforts and later by the great movement for agricultural co-operation that since its initiation in the later half of the nineteenth century has swept over Europe. The escape from dominance, so far as it has been secured, has, however, turned out to be temporary. Where either with or without the help of co-operation, the European peasantry have so far developed their surplus production as to force it into a world's market, a new position arises. Power of production in agricul-

ture as well as in industry is, under modern conditions, so great that production frequently outruns the consumers' power for absorption; thereafter the market fails to provide a remunerative price or, indeed, in some cases any price at all. The ultimate result may be that the peasant gets no more advantage from the production of surpluses than he did in the days when he lived under a lord. Concurrently, in pursuit of what is called agricultural progress, he has, in common with most agriculturists, run heavily into debt. A new movement is now emerging. In the course of his struggles the peasant has in many countries thrust his way into politics, where he enforces his demands for some measure of protection in his markets, for remission or modification of his land-annuities and other liabilities, and for reduction of his taxes.

3. FEUDALISM AND THE PEASANTRY

As has been mentioned above, at some time or other, early or late in their racial history, all or almost all the peasant peoples of Europe lived under either a true or a bastard feudalism.

The problems of feudalism and their relations to the life of the peasantry have been exhaustively treated by innumerable writers, and it is hardly necessary to indulge in repetition. Nevertheless it is desirable, in order to secure some completeness of form for this essay, to give a slight analysis of the relations of feudalism, true or bastard, to the life of the peasantry. For it was under the shadow of what remained of true feudalism and what was built up of the bastard type in or after the seventeenth century that the peasant lived in large areas of Europe during a considerable part of the period under review.

The peasant living in this shadow might, it may first be noted, be classed as a freeman, a serf, or a slave. It is not easy, indeed it may be impossible, to draw clear-cut dividing lines between these three classes. The problem is intricate and need not be re-examined. What is more important is to outline, so far as that is possible, the position of the middle class, the serfs. It is suggested that the essential features of serfdom were, save

perhaps in rare and exceptional cases: (1) that the serf could not be an owner of land, he was indeed only a cultivator; (2) that he could not move away from the land he cultivated or from his village without the consent of the lord; (3) that his status was an hereditary status, so that all the issue, legitimate or illegitimate, of a serf were also serfs. The serf could, of course, purchase his freedom, or it might be granted to him as an act of grace, or if he ran away or went away under a colonization scheme and started elsewhere, outside the jurisdiction of his lord, he did in fact become a freeman.

The position can be further clarified by some detailed account of the control exercised over him. This control (which in extreme cases extended to every side of the serf's life) may be summed up under four main headings: (1) the lord's claim on the serf's physical energy; (2) the similar claim to his wealth; (3) the lord's right to decide judicial matters, civil and criminal; and (4) various incidental matters.

As regards the first claim, the lord might have a right to the labour of the man for cultivation of his demesne and other purposes and also to that of the man's wife and of any children old enough to work. The claim might be for a certain number of definite days in every week, for innumerable incidental purposes such as harvesting, threshing, and carting, or for work on roads and bridges; whilst the lord or his steward might also have a general right to call on him to work at any specific job 'at the will of the lord', as the phrase ran.

Next came the lord's rights over the serf's property. The first claims on the peasant's wealth were the taxes that might fall on him from the State, from his own lord, from other persons in the feudal hierarchy and that also descended upon him in the form of tithes payable to the Church or to individuals who had acquired the right of collecting the charges. Then there would be some form of rent of specific or varying amount. Such taxes, tithes, or rents might be paid in money or in kind: if in kind they varied enormously; the rent, for example, might vary from a load of wood per year to half the produce of the land.

Further, there were dues paid on death or inheritance, the

mainmorte, that might extend to appropriation of all the property of the deceased or be limited to a claim for perhaps the best beast on the land or the best bed in the household. Then there were the dues paid on a marriage, the *marigatium*. These two dues might be payable to the lord or to the Church or indeed in some cases to both. In addition to these dues there might be a tax on sale or purchase of goods, or at least of any goods that came into or went out of the village. And finally it was sometimes possible that the serf might have no right to own any property at all.

Justice, as we know it to-day, was also frequently denied to the serf. The lord or some other person in the feudal hierarchy might have the right to judge civil cases, even those concerning the rights of the lord and the peasants, and exact fines; and also might judge all cases of crime. In extreme cases this put into the power of the lord a complete control over the actions of the peasants.

Finally there were certain incidental restrictions and obligations upon the serf. He was not, as a general rule, permitted to leave his home or holding without the lord's permission; nor might he be allowed to grind his own corn, bake his own bread, or make his own wine. Such rights were constantly perquisites of the lord.

Further, in many cases he was liable to look after game and to take part and give help in the lord's sporting expeditions. In any case the game constantly fed on the peasant's crops and it was a risky thing to disturb it and a crime, in most cases severely punished, if he were to kill it. Similarly the lord's pigeons—and there were numbers of pigeon-cots on a very large scale in many parts of Europe—fed on the peasant's crops. The peasant might also have to fold his sheep on the lord's land, thus manuring and improving its quality.

There was also in the early days of the feudal system an obligation for the serf to fight for the lord when called upon, but this right had died out before the period under review. He might, however, be conscripted, but that was not incidental to his tenure or to his serfdom.

All these claims on the life of the peasantry make a formidable total, and when the whole of them prevailed and were enforced it might be true, as an abbot of Burton once said, that the peasant owned *nihil praeter ventrum*. But just as in the United States of America the slaves on an estate *may* have lived happy and contented lives, so there were probably many feudal estates where the serfs had no cause for complaint. It is improbable that the Lady Bountiful of the English village stood alone, and the lord himself, if resident on his estate or, if non-resident, when he visited it, may have taken a benevolent interest in his peasantry.

4. THE PEASANT AND HIS COMMUNAL LIFE

There were no doubt, even in early times, individual peasants scattered in many parts of Europe who were substantially independent, occupiers or possibly in fact owners of plots of land. They would be subject to the Crown and that subjection might even be nominal. Such a man is described in the English Domesday Book, prepared at the instance of William I. In Herefordshire, the record runs—the translation is very free—‘In the midst of woodlands and outside the district of any hundred lives a solitary farmer. He owns a plough team of eight oxen and has his own plough. Two serfs help him to cultivate the hundred or so acres that he has reclaimed. He pays no taxes and is the vassal of no man.’

Such men and groups similarly situated might be expected to be found most often in mountainous, marshy, and outlying districts; but there were also a considerable number of independent freemen even in the servile areas. In any case the main body of the peasants, whether free or servile in status, were combined in communal groups of various forms. There were family groups, under the control of a father or grandfather; there were larger kinsmen groups, probably a development of the family group, who might be under the control of either the oldest or the most capable man or even woman in the little community. These communal groups might live in a common farmhouse or collection of rooms or huts, with a central kitchen

and meeting-room, and might be occupiers in common of a considerable area of land. Amongst such groups were to be found many strange customs which in some cases have continued until the present time.

Then there was the village community—the commune—with its committee of management. Such communities were typical of corn-growing districts and were, in the main, in early days servile. In such corn-lands there developed a form of life too well known to need detailed description; it may be outlined as consisting on the one hand of the lord's demesne and on the other of the village farm with its arable land, divided into two or into three large open fields, in turn cut up into innumerable strips and cultivated in rotation: its communal pasture—the lammas land of English history—and the communal woods and wastes. These village farms had an elaborate system of management committees and other organizations for controlling the cultivation of the land and negotiating with the lord and his steward. These communities might also be grouped for some purposes into rural districts, with various titles—the hundreds of English rural history, the *volosts* of the Russians, the *gminas* of the Ruthenians, and so forth.

The peasantry might also be grouped in clans as in Scotland or septs as in Ireland or in what appear to have been substantially free republics in the Pyrenean villages.

There were no doubt innumerable variants of these communal forms of life, especially in mountainous districts, in marsh lands, and in lands like those beyond the Elbe and in other parts of eastern Europe, where the peasants colonized or reclaimed land either on their own account or under a definite scheme. Nevertheless it may be said that the typical peasant even if he cannot be described as a communist was definitely a co-operator.

CHAPTER II

CONDITIONS AT THE BEGINNING OF THE
SEVENTEENTH CENTURY

I. GENERAL REMARKS

THE period covered by this essay starts round about the year 1600. At that time, although the towns and trade had already obtained a considerable importance in the life of Europe, the peasantry, whether free, serfs, or slaves, comprised the larger mass of the population. Working on their own lands or the lands of their lords or other employers, they fed and clothed and provided light and firing for the whole population. Moreover, whenever colonization occurred or was taking place, whether east of the Elbe in the German Empire or in Russia, it was the peasantry who were the colonists. It was the peasants, too, who must have composed the rank and file of the armies which were raised for special purposes from time to time throughout Europe, while even the more permanent mercenary forces that were already established in some States must have been largely recruited from the same classes.

The peasantry, therefore, at that time formed the basis of the pyramid of society and had great economic importance; it seems strange therefore that they should have been subject to every sort of oppression. An explanation is suggested by a remark of Fynes Moryson¹ who, wandering over Europe at the end of the sixteenth century, saw much of the life of all classes. The attitude of the authorities may, if we accept this suggestion, have been derived from a Latin proverb which he quotes:

Rustica gens optima flens, pessima ridens.

He translates it thus:

The country clowns are best when they doe weepe,
And worst when they in plenty laugh and sleepe.

¹ The diaries of Fynes Moryson (1566-1603) give much valuable information on European life of the period. The quotations and references given are from a volume entitled *Shakespeare's Europe: unpublished chapters of Fynes Moryson's Itinerary*, arranged and issued by Charles Hughes, 1903.

The authorities thought, maybe, that the more a man was oppressed the harder he worked.

As has already been remarked, rural society in Europe has at no time had any uniformity, and the variations at this period when they come to be examined are found to be especially remarkable.

An English peasant was a free man; he was not subject to the arbitrary action of a lord, and was judged, if he came in contact with the authorities, by the law of the land.¹ He might well have money in his pocket, and be able to 'look the whole world in the face and owe not any man'.

On the other side of Europe the peasant might be in fact, though not necessarily in name, a slave, to be bought or sold or perhaps mortgaged; moreover, such a man had no real claim to consideration from the civil law, but was liable to be judged arbitrarily by his lord and might even be deprived of a limb or tortured or flogged to death if he happened to be caught stealing or injuring game, the most heinous of crimes in many districts, or to have offended in some other way his lord or the lord's steward. It is true that there might be theoretically an appeal from the lord to the ruler of the State, or some other authority, but such appeal was often difficult, sometimes impossible to prosecute, and even if successful might only result in a reprimand of the lord, and this profited little if the man were dead.

Indeed, outside the free States and special free areas, the lord still appeared to be able to inflict any cruelty on his peasantry. In Germany, at any rate, the records show that beatings, lashings, and imprisonments were known. A case which belongs to a somewhat earlier period may be quoted as illustrating what might well have taken place in a later generation. In 1568 in the Tyrol the peasants appealed to the higher authorities against their lord. Ninety-five counts of excessive cruelty were brought against him. It appeared that in the course of a persistent persecution of his peasants he had used thumb-screws, torn off

¹ It should not, however, be forgotten that punishment for sheep-stealing and infringement of the game laws became fantastically severe in England during the eighteenth and nineteenth centuries.

finger-nails, put women on the rack, and lashed men to death. The charges were proved, but the lord was not punished; the only condition made on his release appears to have been that he should not take revenge on the witnesses at the trial.¹

In all other respects there were variations of status and condition. A peasant might be a freeman and yet impoverished by taxation and dues, or else compelled to work for his lord or other authorities in forced labour at a fixed rate of wages. Even if he were freed from such obligations he might be bound hand and foot to the usurer. On the other hand, he might technically be a serf and yet well off and even employing freemen on his land. Moreover, he might be substantially a proprietor of the land he cultivated, or a tenant holding for life or lives or for a long or short lease and even without any lease at all—‘at the will of the lord’, or by some purely servile tenure. If he were a tenant, he might pay his rent in money or goods or labour or other dues, or hold under a *métayer* or share tenancy under which a portion of his crops went to the lord. His type of work varied to the same extent: he might be a Carpathian or Spanish shepherd managing huge flocks for some great sheep farmer or group of other peasants; or he might be a market gardener living on the borders of a city; he might be a grower of vines in Italy, Spain, or France, or be concentrating on any one of the dozens of specialized businesses into which agriculture was then, as it is indeed to-day, divided. Or he might be merely a subsistence farmer, producing all that was necessary for life, ‘living on his own’ and keeping clear of trade or the borrowing of money. He might be a free and independent elector if, in England, he held a freehold of the nominal annual value of 40s. or over, whilst in Poland the poor ploughman, if of gentle birth, might be entitled to go to the national or local assembly, barefooted maybe and in rags, but with a hat on his head, the symbol of freedom; there he could talk and vote with the best of the lords. But with these, and possibly a few other rare exceptions, the peasant was not concerned in the government of his country.

¹ Quoted by J. Janssen, *History of the German People*, London, 1896-1925, vol. xv, p. 178.

He might be economically free inasmuch as he could sell his surplus produce as and when he could, or else be bound to sell it through the lord or his steward, or only through his lord's market: he might even not be allowed—as has been already pointed out—to grind his corn or bake his bread or make his own wine.

Moreover, the social status of the peasant varied in many ways. He might be the independent occupier of a plot of land, or the member of a clan with various rights and responsibilities, or one of a peasant community working a large area in common, with joint responsibility to the lord; or of a family working a small area on a co-operative system, or of a group of kinsmen similarly organized.

All these variations in the life of a peasant arose in the main out of his relations to the land, to his fellows, and to the lord.

But there were two other elements in European life as a whole that, to some extent interlocking, had already introduced new forces which reacted on the life of all the peasants who were not mere subsistence farmers. The first was the extension of trade; the second the growth of Protestantism and the new ideas on business matters that went with it. The Protestant attitude towards business and economic theories has been constantly accepted by non-Catholic historians as sound in principle and as an example of what is called progress, but modern writers are inclined to question this outlook, and it may be that when an objective study of Christianity comes to be made by an unbiased student, it will go to show that the earlier trade methods had everything to recommend them. It may indeed turn out that one of the Catholic Church's¹ great contributions to civilization was comprised in the economic theories for which, in medieval times, it stood, and also to a considerable extent enforced either directly or through the institutions of the State in at any rate minor business relations. The emphasis on standards of quality has generally been recognized by historians. But so

¹ The attitude of the Greek Church to money-lending remains to be explored. It may be noted, however, that in modern times in Russia it has been said that it was the Sectarians that were the money-lenders.

far as the peasantry were concerned an even more important feature of the Church's economic system was the institution of what was at that time called the 'just price', the reintroduction of which is now sometimes advocated in England under the title of the 'standard price' and in France where it is still called *le prix juste*. To enforce this price standard there was a measure of control over distribution, combined with a fixing of prices in markets; while with this went a definite and often enforced hostility to the practice of lending money at interest. The laws of the Church, though constantly and flagrantly broken even by persons in high positions, materially operated, and when they did they served to protect the interest of the producer and therefore the peasant and also the consumer as against the financier and trader: incidentally they tended to the creation of wealth rather than to money-making.

But new and more energetic business methods were then developing, and Catholic theories on trading and on money-lending blocked the way and had therefore to be discarded in the interest of a new outlook on life. Then came the Protestant teaching on thrift and industry as virtues, to give a moral sanction to this development. Godliness and prosperity, it was taught, might well go together, and personal success in business was by Protestants certainly in later days and possibly even in the early seventeenth century thought to be the reward of virtue.

With this teaching came a subtle defence of the practice of charging interest which was developed by Protestant economists in the following century. A crude interpretation of such doctrines, if put into such phrase as 'Be Protestant and make money', may have gone straight to the hearts of many men who desired to become rich without doing any productive work. Whatever the cause, it is at least clear that as trade and Protestantism both advanced the habit of dealing in food at a profit became more and more common and lending of money at interest, not only by Jews, but by Christians, seems to have become a widespread practice. Concurrently we find that even in those days it was not only the lord and his steward who were engaged in exploiting the peasant, but the dealer and the money-lender were often

in competition with them. The Church, even if the peasant were a Catholic, was no longer in a position to help him in his difficulties, though dealers and money-lenders might occasionally in flagrant cases be excommunicated.

2. CONDITIONS IN THE VARIOUS STATES

Something may now be said in more detail of the peasant life of that period in the various empires, kingdoms, and other States that made up Europe. Of these States there were six dominant Powers. First the German Empire, an amalgam of States covering a very large area in central Europe, bounded on the north by the Baltic and the North Sea and extending southwards to a very small sea-board on the Adriatic. Then came the kingdom of France, perhaps the most wealthy of all European States. Next the Polish Kingdom with its tributary States; then Sweden, which at that time included Finland and Esthonia and thus surrounded the Gulf of Finland; Spain, with its scattered subject States, was still a great Power; and finally the Ottoman Empire. The other eight States were England, with Ireland under its rule; Scotland; Denmark, which included Norway and the southern part of what is now Sweden; Russia, a huge conglomeration of races; Italy, which was really a collection of separate States, in part tributary to Spain and for the rest controlled in different ways; the thirteen cantons of Switzerland; the Duchy of Savoy, and the United Provinces of the Netherlands, then recently freed from Spanish domination, and destined, notwithstanding their small area, to play an important role in European political life.

Of these fourteen States it should be noted that the peasantry, as a whole, were classed as free in Britain, Spain, Sweden, Switzerland, the United Provinces, and that part of the State of Denmark that became later the independent Kingdom of Norway. In all other States there was a complexus of free and servile peasantry, though broadly speaking as one went east the servile conditions were not only more prevalent but merged in many districts into the condition of slavery, of which perhaps the worst form was to be found in Greece.

It will be valuable to analyse, as far as analysis is possible, the conditions of the peasantry in these States, taking first those in which freedom was definitely established.

In *England* during the rule of the Tudors that came to an end in 1603 the life of the peasantry had been definitely affected by two main series of incidents. Of these the first was the suppression of the monasteries and secondly a steady development of the process called enclosure, under which the scattered strips of land in the open fields were rearranged and the various communal lands divided up so that the plots were self-contained. A considerable area—perhaps one-fifth of the agricultural land—had been so enclosed by the beginning of the seventeenth century. The greater part of the remainder of the land cultivated by the peasants was centred in the old-fashioned arable strip farms. Both in the enclosed areas and in those districts where the old strip farms remained, the peasantry there established appear to have been flourishing. Concurrently large areas had been appropriated, especially in the west of England, by lords of the manors and others, for sheep farming, and the peasants had been turned out of their holdings. Peasants so evicted could be found, at the beginning of the seventeenth century, wandering all over England. Some seem to have formed themselves into criminal gangs who set on and robbed travellers on the lonely roads: so that it was said that one special feature of England at that time was the number of such raiders, who made the country-side dangerous for travel. Others, who are described in the records of the time as ‘sturdy beggars’, lived by begging and stealing and catching game in the woods and wastes. Some of these wanderers settled on the commons, building perhaps their own cottages. Such squatters, as they were called, became day labourers or if enterprising may have enclosed a piece of land for cultivation and so regained their position as peasant cultivators. An impoverished, landless class had thus been created side by side with a landholding peasantry. Many peasants, it appears, benefited directly and indirectly by the development of spinning and weaving and the trade in wool. Both disaster and advantage, therefore, came from the sheep.

It has also to be realized that the feudal lord had already been replaced by a squire who ruled his village, so far as he did rule it, by force of his position as a justice of the peace and not through feudal courts. The English peasant had then at that time not only personal freedom but the right to be judged by the law of the land.

He had also a large measure of economic freedom. It is true that he might still in some cases be obliged to send his corn to be ground at the lord's mill, but it seems clear that he was not restricted in the purchase of his requirements, or the sale of his produce, which went on normally in the hundreds of markets for food and other produce that were to be found all over England. The law also protected him to some extent against dealers in produce, who were liable to be put in the pillory and otherwise punished; and did something to maintain and secure for him a 'common price' in the markets. Moreover, little is heard of usurers in England but whether that is mere accident arising from want of records, or whether it was a fact that usurers were not powerful, it is not possible to judge: it seems clear, however, that merchants buying produce from the peasantry in some cases financed them and, if so, a high rate of interest was no doubt charged.

Conditions of life were changing in other ways. A great deal of the land had been acquired by townsmen. One contemporary writer complains that land was bought up by cooks, vintners, innkeepers, dancing masters, 'and such trifling fellows', and another speaks of the intrusion into the country of 'lawyers, citizens and vulgar men'. Much land also appears to have been bought up by the peasants themselves, and the independent small peasant proprietors were probably at that time more numerous than they had been before or have been since. These men flourished and formed the backbone of the important yeoman class. Moreover, the new men who came from the towns combined with the more progressive of the old squires to develop the land.

Much remained of the old outlook and spirit of the Tudor times, and the peasantry themselves seem to have been a burly,

turbulent, good-natured, jovial class fighting for their own customs and using, if they lived on an old manorial estate, what remained of the manorial system and their old communal organization as a bulwark against the encroachments of the landlord and the large farmers. They are mentioned by Fynes Moryson as being courteous to strangers, as having more large gardens and orchards than the people of any other nation in Europe, as being given to sports and to 'daunsing with curious and rurall musicke . . .' and 'vpon all hollydayes . . . daunsing about the Maypoles with bagpipes and other Fidlers, besydes the jollities of certain seasons of the yeare, of setting vp may-pooles, daunsing the morris with hobby horses, bringing home the lady of the harvest and like Plebeian Sportes, in all which vanities no nation commeth anything neere the English.'

Although the Catholic Church was no longer the established religion, the Church's festivals were still observed: it was not indeed until later in the century that under Puritan influence these 'jollities' were suppressed by law and work on such days became customary, a change indicated by the phrase that 'it was lawful to be well occupied on holy days'.

Though there were undoubtedly many grades of peasants between the yeoman and the sturdy beggars, it seems as if such of the English peasantry as had maintained their hold on the land at that time were well off and also enjoying life. It was possibly the climax of the peasant life of England.

Spain was another of the States in which the peasants were at least nominally free. But taxation was inordinately heavy; the country-side was in decay, and the people fled from their villages to other lands whenever opportunity offered. The conditions were worst in Aragon. The sheep farmers, still combined into a great and powerful guild, the Maesta, though less flourishing than they had been in the previous century, were still a predominant feature in rural life, but it seems as if every other form of agriculture was in a deplorable condition.

In *Sweden*, where the land appears to have been almost uniformly held as a Crown Estate, the actual cultivators, though desperately poor, were technically free. Sweden, however, was

about that time constantly involved in great wars; in order then to maintain an efficient army military leaders or knights were brought in from other countries and given grants of land. These new lords introduced the ideas of servitude, described later, which were characteristic of eastern Europe of the time. A bastard feudalism was thus being created and servitude to some extent forced on the peasants. A long class struggle went on during the seventeenth century, the peasants aiming at preserving or regaining their freedom; in this struggle they finally won.

The minor States where freedom prevailed can be dealt with shortly.

In *Switzerland* there were, it was said by Fynes Moryson, 'a few gentlemen', and the peasantry appear to have been largely concerned with training themselves to be soldiers in mercenary armies. Cattle raising and dairy produce were the main business of those who stayed at home, and their herds fed, as they do to-day, in the summer on mountain pastures which in many cases belonged to the village communes, and in the valleys in the winter. In the lowlands there were a certain number of large estates, but small plots of land were also to be found intensively cultivated, for agriculture was already being studied as a science. It appears that returned mercenaries slipped back quite naturally to agricultural work. There do not seem to have been any game laws in Switzerland and many of the peasants were hunters. The Swiss were and had been for generations a free and independent people.

In the *United Provinces* we find a population primarily concerned with commerce and the peasantry seem to have taken as small a place in the national life as they have in England during recent times. It may be noted, however, that the small peasant community provided admirable cultivators of the land, and in what is now called market gardening were probably far in advance of any other European peasantry. From them many lessons were learnt in the course of the English agricultural development of the seventeenth and eighteenth centuries.

In *Italy*, made up of various small States, commercialism was

also advanced and there were many large farms run on business lines and also very large flocks of sheep occupying wide areas. The peasantry, to some extent free, appear to have been tyrannized over by the ruling princes, where such existed, by their lords and even by the leaders of the city communities, who seem to have exercised a somewhat malignant control over the rural areas and thus over the lives of the peasantry. The land was commonly held on the métayer system, while the peasants were uniformly heavily taxed and their markets and right of sale of products were regulated, those in authority holding, in a large number of cases, a partial or complete monopoly of the sale of such commodities as corn, wine, and oil.

In *France*, as in Spain, life was centred in the Court, though the Court was not at that time so luxurious as in Spain nor indeed so extravagant as it became later. 'Les rois de France sont rois élus et choisis de Dieu, rois selon son cœur', wrote a contemporary authority;¹ and the monarch was in theory absolute. The Government was highly centralized and the State was organized by officials who were responsible in the ultimate resort to the king. The land was held by nobles and other seigneurs, who might be rich or poor, and by the Church; the more important seigneurs appear to have taken very little interest in their estates save as a source of income. From the peasants they exacted rents and obligations of various kinds which differed from village to village. Amongst the more usual were rents in money or labour, including a not uncommon duty of ploughing the lord's land. The seigneur could require the villagers to have their corn ground at his mill and might even insist that all bread were baked at his bakehouse and wine made in his winepress. He might also levy a tax on wines sold in his district, and he might have ownership of the local market through which his peasantry would be obliged to sell any surplus produce that they had for disposal. In any case the lord was likely to have the right to levy a toll on all goods passing through or going in and out of his village. He might also have

¹ See Duchesne, A., *Les Antiquités et recherches de la grandeur et majesté des rois de France*, 1609

such minor rights as the right of the tongues of all animals slaughtered and some proportion of the increase of stock bred in his area. Moreover, the sporting rights were vested in the lord, and the peasant might have his crops not only devoured by the lord's pigeons and game, but destroyed by the hunting parties riding over his land: he had no redress. The peasant had also to pay taxes to the State and tithes to the Church, and these with the rents to the lord are said to have absorbed nearly half the produce of the peasants. France, though at that time it had not fully recovered from the devastation and evils created by the wars of religion in the previous century, was a fertile country—'a rich meadow', to quote a reputed saying of Louis XI, 'to be mown by the monarch'. But whether the peasantry were nominally free, as they appear to have been in Normandy and certain other districts, or serfs as in Lorraine, the rank and file were as a rule poverty-stricken. A French authority describes the houses of the poorer peasants as made of clay and covered with thatch, a single low room with no floor except the earth, and two windows without, of course, glass: they owned, it is said, practically no furniture or movable property. They lived on bread and cheese and soup, and rarely ate meat; they drank water, though it was said that in prosperous years, in Brittany at any rate, they might drink a little cider. In the south the peasant went barefooted. His crops of wheat and rye were commonly used to pay rent and taxes.

In the *German Empire* the defeat of the peasants' revolt at the beginning of the sixteenth century had checked every tendency towards freedom, and at the end of that century the condition of the peasantry, though it varied from district to district, was profoundly unsatisfactory. In the west of the Empire the conditions, though variable, were not dissimilar to those in France. Serfdom was especially common in Bavaria and Hanover, and in the latter country the peasants had only a life interest in their goods. East of the Elbe, where the land had been colonized in the Middle Ages by the Germans and the Swedes who had established on the land free peasants, mostly of German or Dutch origin, the lords were turning from a military life to the

cultivation of their estates and were growing grain and to a less extent other produce for export from the Baltic ports of Stettin, Hamburg, and Danzig. In pursuit of this aim they took every opportunity of seizing the peasants' land and forcing serfdom on the dispossessed workers. The peasant thus became tied to the estate, and even his children's services were commandeered as soon as they were old enough to work on the land. A bastard feudalism was being introduced with all the servile conditions of the Middle Ages and without even any of the redeeming features of the earlier times. In Holstein, Pomerania, and Mecklenburgh the peasants were not only personally enslaved, but could be bought and sold like any other commodity. In Saxony and Prussia the conditions were very much the same. Estates were in many cases run like slave-plantations by a staff of the lord's overseers, and the lords secured civil and criminal jurisdiction over the peasantry from which there was practically no appeal.

A Complaint of the Peasants dated 1598 says:

In what German land does the German peasant still enjoy his own rights? Where does he have any use or profit of the common fields, meadows and forests? Where is there any limit to the number of feudal services and dues? Where has the peasant his own tribunal? God have pity on him! All this and other things belonging to the former honourable condition of the peasantry are quite past and gone.¹

A document dated ten years earlier describes their condition in these terms:

The peasants lead a most wretched, down-trodden existence. Their houses are miserable huts of mud and wood with no floors but the damp earth, covered only with straw. Their food is black rye bread, oatmeal porridge or boiled grain and lentils. Water and whey are almost their only beverages. A coarse smock frock, a pair of bundschuhs and a felt hat make up their attire. These people never have any rest; early and late they are hard at work.²

In some parts of Germany shepherds were treated as outcasts and not allowed to be buried with Christian rites.

In *Denmark*, a little kingdom with a large tributary State

¹ Quoted by Janssen, *op. cit.*, vol. xv, p. 141.

² *Ibid.*, p. 171.

covering Norway and part of what is now Sweden, the main sources of wealth appear to have been the taxing of the ships that passed backwards and forwards through the narrow strait between the island of Zealand and the Scandinavian peninsula. Forts were built at both sides of the strait; every ship was stopped and a heavy levy was made, not only on the ingoing ships, but on the very large trade that was bringing corn—on which many parts of Europe in those days were fed—wax, honey, hemp, timber, and furs from the Baltic ports. It appears that Denmark's main food supplies came from abroad, and the peasantry were relatively few in numbers; but few as they were, they were in fact slaves of the king or the lords, and could be bought and sold like any article of commerce. In the tributary State of *Norway*, however, the land was owned by large landholders, and the peasants were tenants who held on a métayer or share-tenancy system. They appear, like the other mountaineers of Europe, to have enjoyed complete personal freedom.

In *Poland* the conditions were similar to those in the German provinces east of the Elbe; land was cultivated largely for the foreign markets, and produce was exported from the ports of Danzig and Riga. The rank and file of the peasantry were substantially slaves. Whether they had even the right to market their own produce is doubtful: certainly if they had surplus corn to sell, it had to be sold to the lord's steward. There were, however, in that country a number of families of gentle birth who, personally free, nevertheless worked as peasants in the cultivation of their own land.

In *Russia* since the Middle Ages there had been household slaves and free peasants, and at the end of the sixteenth century that condition still prevailed, though, as in Sweden and in the districts east of the Elbe, the position of the peasants was deteriorating. The land was in the hands of the Tsar, the Church, and the lords. In the last-mentioned category were some of the old nobility, the boyars, owning as a rule large areas, but there was also among the lords a class which corresponded somewhat to the middle-class proprietors of land in England at that time. In all classes both large and small

estates were to be found. The cultivation of the land both on the home farm and on the peasant's land, which was probably largely held in strip farms, was carried on by peasants, who were technically treated as free tenants. As a free man the peasant was entitled to enter into any contract he pleased with the landowner and to migrate from place to place. His rent was paid in services, largely in the form of labour, in kind and in money. But if he were free of the lord in theory, he was bound to the lord in practice since the lord was not only the owner of the land but the banker; it was from him only that the peasant could borrow money needed to work the land or pay rents or taxes.

The middle-class squires were at that time becoming more and more powerful and were increasing their holdings at the expense both of the boyars and the peasants. There was also a demand for cheap labour in order that the lords of all classes might enrich themselves by producing corn and other commodities for the markets; of these the export trade from the Baltic ports provided the most important demand but the town markets were also demanding food from the country-side. The population of Moscow, for example, was at that time about 200,000, and it was said that 700 to 800 cartloads of grain went into that town daily. These were probably the small carts, holding perhaps seven or eight sacks of corn, that are still to be found in almost all Slavonic countries.

This was the general position in the last years of the sixteenth century. Then came what in Russian history is called the 'Time of Troubles' (1598-1613) which brought with it peasant revolts of a character not entirely dissimilar from the many peasant risings that have occurred from time to time in continental Europe.

The 'Time of Troubles' arose out of two special incidents that created a general chaos in the Russian Empire. The old Muscovite dynasty had come to an end, and by the last years of the sixteenth century central government had substantially disappeared and the nobles and gentry, with the help of their armed forces and Swedish mercenaries, had started quarrelling

among themselves. Then at the beginning of the following century there were three years of crop failure and famine. As an outcome of the situation so created a considerable section of the free peasantry sold themselves to their lords to become serfs or slaves on condition that they were at least fed. Others, like the peasantry of England of the same period, wandered about the country and formed bands to loot the merchants and travellers on the trade and travel roads. Others fled to the far north or to the Cossack south. An insurrectionary movement, led by a claimant to the throne, the 'False Dimitri', broke out and was supported by the broken men of all classes. The false Dimitri actually entered Moscow and appears to have ascended the throne, but he was very soon deposed and killed. This rising was quickly followed by a revolt of a more definitely peasant character with Bolotnikow, an ex-slave, as its leader. Bolotnikow called on the peasantry to rise and slay their lords, capture their wives and children, and destroy their manor houses. After an initial success, he was in his turn defeated. Then appeared a new leader, 'The Thief of Tushino', who established a great camp near Moscow to which again the broken men flocked. In the end, after much fighting, this rising was also crushed, and in 1613 Michael Romanov was elected Tsar. The process of enservment of the peasants had been going on during the 'Time of Troubles' and the peasantry were often on the verge of starvation; large numbers must have actually died. They were helpless. As a general result we find under Romanov rule the peasants on the State demesnes bound to the land, though they had a nominal right to leave it if they could obtain a substitute. Whilst on private estates those of the peasants who had not sold themselves into serfdom or slavery were still technically free and able to take land on terms settled by a bargain with the lords: in fact they were in such a position that they had no bargaining power, since the lords were still the only source from which a peasant could obtain such money as he needed to cultivate his land, and the peasantry had to take the lords' terms or die. Substantially freedom disappeared. Concurrently household slaves were becoming workers on the land.

Thus in the early years of the seventeenth century a great class of servile peasants had been created.

In the surroundings so created the enserfed peasants lived in their homes made of log huts in a general condition of poverty: they were under the rule of the lord, who administered justice (if so it may be called) on his own estates, and collected, and was in fact held responsible for, the taxes of the tenants. Throughout the villages, although pagan customs and practice were widespread, as in fact they have been up to quite recent times, the Russian branch of the Orthodox Church was everywhere firmly established; the point is of importance, since, as appears later, the peasantry took a large part in the religious controversies that arose in Russia in later years.

The *Ottoman Empire* remains to be considered. It covered the whole of the Balkan peninsula, extending nearly to Vienna and to Czernowitz on the north, and spread far into Asia, incidentally surrounding the Black Sea. In general the peasantry of the various subject races lived heavily taxed and profoundly depressed under the rule of their own racial lords; but there were also large settlements which were created as an outcome of the Turkish military system. The Turks held by right of conquest, and the maintenance of a strong army was their first essential. The backbone of the army was the cavalry, the 'Spahis' as they were called. In order to maintain this cavalry grants of land were made to the cavalry leaders, who distributed the land amongst their men on condition that they were not only responsible for the cultivation but also came with their own mounts to fight when called upon. Thus there seems to have been created a class of Turkish peasants. Apart from these settlements it does not appear that the Turks themselves took part in the cultivation of the land.

There can be little doubt that the Turkish military settlers tyrannized over the peasantry of the subject races, and indeed Turkish rule was uniformly a cruel one. The condition of the Greeks was probably the most deplorable: many fled to other States, 'but', says Fynes Moryson, the greatest part liue in the Ilands and Continent of Greece vpon

their owne land, yet possessing not one foot thereof by inheritance, but liuing as most base slaues to the Turkish tyranny . . . and vsed like borne slaues, so oppressed by the Rapyne of the Turkes as they cannot enioye the goodes they gett by the sweate of their browse, the Corn they sowe, nor the wyne they plant, yea not the Children they begett, since . . . every third yeare their most ingenious and strong Children are taken for tribute and brought vp by the Emperour in Turkish Religion to scrue in his warrs.

CHAPTER III

HISTORICAL, 1600-1914

I. INTRODUCTORY

IN the previous section of this essay a description in rough outline has been given of the conditions of life of the European peasantry in the early years of the seventeenth century, which may, with advantage, be compared with the conditions three hundred years later, described below.

It would not be possible in the space available even to outline the history of the intermediate period: in fact there is no general story, and every nation and indeed, if a slight overstatement is permitted, every village community had a life and a law unto itself. It is proposed, therefore, to make here some remarks on certain general aspects of the historic problems which will be dealt with under the headings of (1) The Emergence of Personal Freedom, (2) Armies and Wars, (3) The Growth of Commercialism. The concurrent problems of the development of agriculture incidentally referred to are covered in another part of this volume,¹ whilst the important story of agricultural co-operation will be shortly dealt with in a later section of this essay.

Thereafter will follow a slight outline of certain events in the peasant history of three specific countries, England, France, and Russia. These stories are by no means typical of the life of the European peasant as a whole, for there is no such thing as typical peasant history, but they illustrate the events of the time.

¹ See p. 188.

2. SOME GENERAL MATTERS

(a) *The Emergence of Freedom.*

In the early years of the seventeenth century there were, as has been noted above, certain States in Europe in which the peasantry as individuals were substantially free; there were other States where there was a mixture of free and servile conditions, and in the Ottoman Empire probably servile conditions were uniform amongst at least the Christian peasantry.

Thereafter came changes for better or worse, for there was no steady continuous improvement in the personal status of the peasant before the French Revolution. In Sweden, for example, the peasantry, in the main a free people up to the later years of the sixteenth century, were largely enserfed under military lords in the seventeenth; while by the close of that century they had again obtained a considerable measure of freedom. In France, as has been already indicated, the pendulum swung backwards and forwards during the seventeenth and eighteenth centuries, and complete personal freedom was not attained until the French Revolution of 1789. In Russia the state of enserfment that was created in the seventeenth century was in the main continued until the enfranchisement of 1861. In Germany also the enserfment, whether traditional or of that special form which was established in the sixteenth and seventeenth centuries, was maintained in its chief characteristics until the nineteenth. In Denmark the peasants' conditions seem to have deteriorated in the earlier years of the eighteenth century, but were ameliorated somewhat in 1780 and complete personal freedom seems to have followed shortly. Further, as the Turks were driven back from their old empire, there may have been some improvement in the peasant status with the disappearance of the Turkish lords, though it is more probable that native lords merely took over from their Turkish predecessors and preserved conditions very much as they found them: in any case, there does not appear to have been any definite widespread enfranchisement. In Italy there was improvement

in the peasant status in the eighteenth century, and an introduction of the *métayer* system in many districts.

It was, to some extent, the ideas that spread through Europe in the eighteenth century—the 'New Enlightenment', with its emphasis on 'Liberty'—that reacted on governments and helped to create the widespread movement which, beginning with the French Revolution, finally resulted in the grant of personal freedom to the peasantry of continental Europe as a whole. It was certainly these ideas that inspired the French Revolution and brought about the complete enfranchisement of the French peasant. But though the steps taken by France were followed by similar action elsewhere, it is clear that the inspiration was not always the same. In Germany the intellectual influence came from Fichte, who, while engaged in reinfusing new life and energy into the German peoples, urged that freedom for the peasantry would give birth to a strong State, capable of wiping out the humiliations that had come from Napoleon's victories. Such freedom it was thought would give military advantages to the State. It might also give commercial advantages to the rising bourgeoisie, who would be more easily able to exploit a peasantry freed from servitude to a lord. It was probably these ideas, with which the peasantry themselves were not particularly enamoured, that inspired Frederick William III of Prussia to issue in 1807 an edict which declared that 'there were to be none but freemen in our dominions'. Other German States followed Prussia's lead. At about the same time—actually in 1811—a law was passed in Spain abolishing whatever remained of the relations of vassal to lord and all rents and services that were not the outcome of free contract. In the countries of the Austro-Hungarian Empire there were also changes in the law, but serfdom was not actually abolished until the Revolution of 1848. Later in 1861 came the freeing of the peasants in Russia, and in 1864 the Roumanian peasants also obtained their freedom. Concurrently improvements in conditions took place in the smaller States of Europe.

It should be noted, however, that legislation does not necessarily operate in the exact form or with the promptitude that

its instigators or the public expect, and no doubt many forms of serfdom prevailed in the various countries long after the legislation was enacted. Nevertheless it may be said that by the end of the sixties of the last century emancipation was at least nominally established in Europe everywhere except in a few provinces under Turkish rule. Enfranchised peasants, however, whether they were peasant proprietors, métayer tenants, or tenants at a rent, despite their freedom from serfdom, were still more or less under the domination of a lord, who might well be of an alien race. Against this dominance there was an intermittent struggle. To meet this situation the governments of Europe introduced in the nineteenth century measures to secure what has come to be called 'Agrarian Reform', a movement also directed in some sense to give increased freedom to the peasantry: it was certainly individualistic in character. There were under this movement new settlements of the peasants, enlargement of holdings, and some throwing together of the scattered strips into individual plots, while peasants who were tenants might also be aided to secure their freeholds. The Irish story, though perhaps not typical, has special interest. The Irish peasantry were in the early years of the nineteenth century tenants with substantially no security of tenure and no right of compensation for their improvements. Many held plots so small—of perhaps 10 to 12 acres—that they could barely make a living; others were primarily labourers, but were provided with plots of land in time to prepare them for a crop and had to surrender back the land immediately after harvest. Throughout the whole country, save some parts of Ulster, there was widespread poverty and misery. The landlords, constantly absentees, were largely of an alien race. Against this state of affairs a bitter struggle went on for a century; it resulted finally in the peasants becoming established as proprietors, subject to charges in the form of land annuities.

While a change of status from serfdom to freedom seems a wonderful thing to persons who worship 'Liberty', the enfranchisement of a peasantry and the measures of the agrarian reforms that in most cases accompanied or followed it were not

necessarily entirely beneficial to the peasantry themselves. They destroyed a condition to which the peasants may have been accustomed, and thereafter may have put them into surroundings to which they were ill adapted. Personal freedom to the peasant meant freedom of movement and freedom of contract; it may also have been accompanied by a grant either of ownership of land, subject perhaps to a mortgage or other charge, or of a tenancy regulated by contract. But to the newly enfranchised man it might also mean that he had lost such protection as he might have from ancient customs and communal life. He might thus have found himself in a position in which he was so weak that he became completely dominated by the strong of other classes. The point may be further explored. In some cases such as in large parts of Russia the older communities appear to have been little changed at the time of enfranchisement; in others like France the ultimate result was a firmly established class of peasant proprietors. But in large areas, the enfranchisement and reforms resulted incidentally in the creation of a large class of landless workers, who, as in the special case of England, lost their peasant sense, became a pure proletariat, and were inclined to drift away from the country-side to the towns, or to other countries.

Concurrently with the enfranchisement of the peasant and the agrarian reforms that went with it came the establishment of the lords as unqualified owners of land, with no responsibilities legal or moral to the peasants; the emergence of the rich peasants, who might also be dealers and money-lenders; the degradation of the smaller men whose plots were liable to be acquired by the landlords or richer peasants or reduced by division as population increased. All these changes strengthened the tendency towards increase in number of the landless men.

A new status was created, but it was not by any means an ideal one.

(b) Of War, Armies, and Revolts.

The exact part that wars, the gathering of armies, and revolts played in peasant life requires some consideration.

Under the feudal system in its early form the peasantry, as has been already noted, were under a definite obligation, as a condition of their tenure, to fight when called upon by their lords both in their personal quarrels and in a national war.

But this specific obligation, at least as a feature of land tenure, seems to have disappeared by the end of the sixteenth century, though it was revived in a modified form at the beginning of the seventeenth in Denmark and possibly elsewhere. Certainly in Sweden and the Ottoman Empire, the lords continued to be definitely liable to provide fighting men when called on to do so, and by fair means or foul they certainly did conscript the peasantry.

To secure fighting men for the army, an early form of the modern recruiting sergeant seems to have been employed. In other cases there may have been a definite levy by lot under which every community had to provide a certain number of men. In 1733 the king of Prussia is found dividing his kingdom into cantons and ordering each canton to supply a regiment; all adult men were liable to be enrolled except nobles and the sons of pastors and of the richer bourgeois families: a somewhat similar system was introduced in that century in France and Russia, and peasants were always included in the conscripted classes. In such cases if men belonging to families with a little money were drawn under a ballot, a chance arose of earning a lump sum down for any one prepared to take the place of the conscripted man. Whatever were the arrangements for conscription, half-starved peasants joined the army in order to secure food; others joined up in search of adventure and in order to see life; others also were prepared to fight for some religious or other cause. Possibly the recruit would hope to get a share of the loot. On some inducement or other the peasantry were constantly drawn into the armies, leaving the work of cultivation to women, children, and the older men.

Rulers of the various States and provinces had, of course, in the time under review, their more permanent mercenary armies. In these armies the peasants might also enlist: in some cases men seem to have definitely trained themselves for war,

and, organized under their own leaders, sold their services to the highest bidder. No doubt considerable numbers of peasants all over Europe were drawn into the mercenary armies. Such men—of which the Swiss were the most notable example—might become members of the body-guard of their own or some foreign ruler, and never have to fight at all or only in some ultimate emergency. The armies, it may be noted, consisted of infantry and cavalry, but peasants were probably enrolled as foot soldiers only.

Finally, during and after the Napoleonic Wars a general conscription for the armies was introduced throughout continental Europe.

The wars affected peasant life in other ways. Individual villages or a whole country-side might be devastated and the peasantry killed off or left to die, whilst even in districts outside the war area the peasants' stores might be raided. In some, doubtless exceptional, cases their stores might be bought up by contractors or army agents and then the peasantry might make something out of the war.

Quite apart from these official wars were the occasional peasant risings. How these were organized, as far as they were organized, is not entirely clear. It has been suggested that the colporteurs who wandered all over Europe selling goods to the peasants were a channel for distribution of news and exchange of ideas, and were possibly sometimes organizers, or even leaders, of revolt. In some cases also the priests took an active part on the peasants' side. But, it may be observed, special methods of communication amongst peasants existed in those days as they do to-day in countries where there are few letters and no telegraphs or modern news agencies. Peasant communities were, as has been already noted, very commonly organized into some form of district council, and where such councils were established they were no doubt incidentally a centre for exchange of ideas on other subjects than their normal business. Moreover, the strength and energy of a peasant of the primitive type make it possible for him to walk or run at a trot twenty miles to a distant centre on a Sunday or holiday, or even in the

night, after a day's work, and be back at work the next day. So ideas could be spread and plans for insurrection made. When a rising once actually started, the news soon spread and dissatisfied peasants would hurry off with home-made weapons to any centre of revolt: whilst for those who stayed at home, there was always the lord's house, his stock and corn stores to be looted—a perpetual and immediate temptation.

But peasant revolts were always ultimately defeated by the mercenary armies.

(c) *The Peasant and Commercialism.*

In the Middle Ages the greater part of the peasant surpluses went to their lords in the form of rents and tributes or were absorbed in taxation, but there were also available markets for food in the relatively few small towns and rural centres, to which the peasants or their wives went personally and sold directly to purchasers such small surpluses as they might have for disposal. In such markets there would probably be some regulation of prices, and dealers, who came between the producer and consumer, were looked upon with disfavour and might possibly be punished by law. To some extent this procedure has continued up to the present day, though price fixing and the discouragement of dealers has almost disappeared. Indeed in most parts of continental Europe and in Ireland such markets may still be found.

Later, with the establishment of capitalistic States, the growth of metropolitan and other large towns, and the institution of standing armies, there arose a large and ever-increasing demand for food for the inhabitants of the towns and also for the troops. As a result of this demand a large business in dealing with food on commercial lines gradually developed. The food merchant came into the field, with his hangers-on, large numbers of small dealers and money-lenders. These merchants, dealers, and money-lenders intervened between lords and peasants and upset a claim that many lords and their stewards had enforced to deal with the peasant's produce. A sidelight is thrown on the question by a remark once made by a certain

member of the Karageorge family.¹ 'The Serbians are a race of pig breeders,' he remarked, 'and amongst them are two families of pig dealers: the dynastic struggles in Serbia, when once freed from the Turkish rule, were between these two families.' Even if the remark be somewhat exaggerated it did indicate the interlocking importance of the right to rule and the right to deal in produce.

In any case, as valuable markets developed, lords and city merchants are found quarrelling for the opportunity of buying the peasants' produce. When this quarrel became acute the burghers said that the peasants were intimidated by the lords into selling to them at low prices, and the lords said the burghers formed buying rings. Probably both were right. This competition for his output could hardly have benefited the peasant. If he were permitted to, and did in fact, sell surplus produce to any one other than the lord or the steward (and this was constantly forbidden), the money that he secured from the dealer might well ultimately pass into the steward's pocket.

Concurrently the money-lenders were coming into power: the peasant borrowed heavily from the usurer, and his creditor often took charge of his stock and crops. A Marburg writer² in 1593 says: 'The accursed people (the usurers) do not take money for money, but they lend money on corn meadows and acres, by which means they get at least 15 or 20 gulden per cent yearly. . . . Often and often the fruits of the field are promised . . . long before they are garnered. Usury was so common that on a loan of 20 gulden a cartload of hay was exacted as interest.' It appears to have been a common practice when the peasant borrowed money from the usurer that the latter might take for his interest alone some part of the peasant's stock, leaving the capital to stand over from year to year. Similar practices are not unknown in Europe even to-day and no doubt have been going on during the whole of the intermediate period. The money-lender may thus secure a large part of the crop.

During the seventeenth and eighteenth centuries there was a

¹ A remark made to the author.

² Quoted by J. Janssen, *op. cit.*, vol. xv, pp. 40, 41.

development not only of trade in food supplies, but of coasting trade from one part of Europe to another. Corn, hides, hemp, wax, and timber came from the Baltic States; Spain exported wool; France, Italy, Spain, and Portugal wine. Then in the eighteenth and nineteenth centuries came importations from countries outside Europe and these cut into the purely European trade.

The special development of the export trade from Germany east of the Elbe, Poland, Russia, and parts of Sweden, which extended rapidly during the seventeenth and eighteenth centuries and continued in the nineteenth, was accompanied, it may be noted, in early days by a movement for the enfranchisement of the peasants and concurrently and later a desire to create a landless class of labourers—features of the lords' struggles to obtain the benefits that accrue from the business of food supplies. Later in the nineteenth century, when the bourgeoisie became more powerful, we find amongst this class support for freedom for the peasants; they thought perhaps that an enfranchised peasant free from the claims of a lord would be more easily exploited by the trader. Nevertheless the enfranchisement of the peasant did not always benefit the trader, for though, whenever enfranchisement took place, the definite marketing rights of the lords must have disappeared, they may still have taken a share of the peasant's produce as rent.

With the growth of commercialism came the rise of those peasants who had commercial instinct. They enlarged their holdings, made definite profits, employed their poorer neighbours as labourers, and also often became dealers and money-lenders.

Some of the peasants who depended only on subsistence farming kept outside the net of commercialism, but even they were forced by taxation to produce surpluses, while in the Russian case referred to later, and possibly in others newly enfranchised, peasants were burdened with debts on their lands similarly with enfranchisement; then to find the money to pay debts and interests they had to produce surpluses for the market.

During the whole period the agriculturist was exploited and

it was only owing to some special conditions, such as wars in other countries, that he flourished.

Incidentally it may be noted that agricultural prices, which had risen in the sixteenth century, were still going up in the seventeenth, this being caused in part by the ever-increasing demands and in part by the influx through Spain of American gold and silver; and there were intermittent rises and falls in the later centuries. Indeed, there has been right through Europe up to the present a constant vacillation of food prices, arising from variations in production and consumption from manipulation of or changes in the value of money, and from the actions of dealers and merchants. Moreover, it is unlikely that the peasant, through his lack of bargaining power, ever got the market price, whatever it was.

It was into this marketing chaos that the co-operative system intervened in the nineteenth century, to create within its limits a certain amount of order. This important movement is dealt with at length in the next section.

There is one point referred to incidentally elsewhere that should be mentioned before leaving this special question of commercialism. Interlocked with the commerce came the development of the business life of the great cities and the industrial areas. Thus arose a demand for workers, both men and women, in the mines, the mills, and the factories: with this came a demand from the newly enriched classes for household servants. The peasantry, well able to provide both these needs, thus secured a channel of escape, if the life of the country-side became too hard or too dull.

3. CERTAIN NATIONAL STORIES

(a) *England.*

The condition of the English peasantry at the end of the Tudor period, graded downwards from the flourishing 'yeoman' to 'sturdy beggars', has already been described, and the story can be taken up from that point.

Apart from the Puritan policy already referred to of taking the pleasure out of life by the abolition of the holidays on saints'

days, and the introduction of the six-day working week, the establishment of complete freedom for the peasants to deal with their produce as they thought fit, and lastly, the variations in national economic policy which are mentioned later, the main changes in the position of the peasantry of England came from the development of what were called 'enclosures'.

It will be realized that at the beginning of the period large numbers of estates were still held and cultivated in the traditional method, subject to the control of manorial courts and peasant committees. On such estates the peasantry had, as a rule, their small strips of land scattered over the open arable fields, their plots in the meadow-land, and their common rights of feeding stock on the so-called commons, woods, and wastes, supplemented by claims on the communal estate for wood, for fuel and the building of cottages and farm buildings, and for stone, sand, marl, or chalk if such there were in the common pits. This system, so far as it then remained, was to be broken up and replaced by enclosed fields such as are found in Britain to-day.

The 'enclosures' were carried on by five specific methods; of these two were reasonable whilst the other three, whatever their economic object, were disastrous to the peasantry.

These five methods may be analysed shortly.

(1) The dividing up of arable, meadow, and communal land by definite agreement between the lord of the manor and the peasantry.

(2) Enclosure by gradual adjustment, i.e. the exchanging of plots here and there amongst the cultivators themselves and with the lord if he held land in the open field, until by degrees the greater part of the arable fields would have been rearranged into blocks, which the peasants or the landlord, if he obtained specific pieces, could fence in; concurrently the common lands might be shared out between the lord and the peasants and enclosed with hedges.

Such rearrangements were not objected to by the peasants, and when carried out fairly were beneficial to all concerned. There would still remain in the village community a large number of small holders with possibly many common rights and

interests. These peasants so established could grow more corn on the enclosed plots; they could also cultivate turnips and clover and other forms of fodder, which could not be grown on open fields, since such fields had been subject after harvest to grazing rights for the sheep, cattle, and pigs of the community.

Moreover, as time went on, manuring was developed on this enclosed land; dairy farming was extended and stock improved in quality. The advantages were an object lesson to all who were interested in agricultural development. It encouraged a system of good farming, and the land so held was likely to be more productive than even the large farms that came to be established, though it was perhaps not so productive as large farms, based on highly mechanized methods, that became possible with the inventions of the twentieth century.

The third, fourth, and fifth forms of enclosure were of a different character. These were:

(3) The appropriation of land by the lords of the manor. Appropriation of large areas (including not only the commons, woods, and wastes, but even the peasants' arable land and meadows) had been characteristic of the Tudor period, but it is unlikely that such large-scale appropriations continued during the period under review, though small appropriations of pieces of land certainly went on continuously and were even taking place up to and during the Great War.

(4) Division of the land under an order of the Court of Chancery. Such orders could be obtained in the seventeenth century and possibly later, by means of one of the semi-fictitious forms of lawsuit which had been for a long time a special characteristic of English law.

(5) Enclosures by or under the provisions of Acts of Parliament.

All these five forms of enclosure went on during the seventeenth century, and to all save the enclosures by agreement and gradual adjustment there was opposition from the peasants. This opposition had at first a certain amount of support from the Government, which, up to about the middle of the seventeenth century, still viewed enclosures with suspicion, and the law-courts, with the approval of the Government, fined or

otherwise punished landlords who had unjustly appropriated common land. But the law was costly and dilatory, and the peasants did not confine their action to appeals to the authorities. Bands of 'Levellers' and 'Diggers' went about destroying the new hedges and filling up ditches; thereby they hoped to bring the land back into common use. One is inclined to suspect that the Puritan leaders of the Civil War secured the backing of the dissatisfied peasantry by raising the cry of 'Common land for the common people'. Undoubtedly some of the country people expected the Parliamentarians when in power to defend their rights, for they are found petitioning their new rulers: 'By virtue of this conquest over the King' they claim 'freedom in the common lands'; otherwise, they say, 'we are in a worse position than we were in the King's day'. It does not appear that the Parliamentarians found time, even if they had the inclination, to pay attention to the peasants' claims. Indeed, from about that time the Government, becoming influenced by commercial ideas, lost interest in the peasantry, and supported the policy of enclosure on the general ground that it led to better cultivation and so would enrich the nation. They may also have thought even at that time—it was certainly so considered later—that an impoverished and servile class of day labourers working on large farms was of more value to the nation than an independent and hard-working peasantry. A similar idea appears, as has been already noted, to have been current in Europe in the seventeenth century. Whatever the underlying motive, enclosure went on rapidly in the eighteenth century, carried on first under special Acts of Parliament which directed enclosure of specific estates, whilst later in the nineteenth century commissions were appointed, under powers created by General Enclosure Acts, which divided up such estates as were referred to them for action. By the middle of the nineteenth century the new system of enclosed fields was almost universal, though many commons and common rights remained as they do even to this day.

Such divisions of the land into plots was no doubt economically justified and resulted in improvement of cultivation, and

if the peasantry had been fairly installed it would have had remarkable effects. But the enclosures did not result in instalment of peasants on plots, or create a class of peasant proprietors as has been done in France. It was the method employed that created disaster. The very period of change-over from one system to another extending perhaps over several years was a time of uncertainty to the peasantry, who were in great doubt as to what they should do. Cultivation was held up. Then when the enclosures were actually effected, the peasants had to change their whole method of farming: in fact to learn a new trade, for which they were temperamentally ill adapted. Moreover, the peasants lost their claims for wood for firing and for material for building their own cottages and farm buildings. Thus was created a situation from which the present shortage of cottages has arisen.

Even when the peasants were in possession of their plots they found themselves involved in a share of the costs of the Act of Parliament or the Commissioners' Award and also the costs of fencing in the land. Further, traditional rights of many peasants over the commons and woods and wastes were ignored by the Acts of Parliament and Awards of Commissioners, since they could not be strictly proved by law. Customary rights to catch rabbits and hares for the pot also disappeared. Finally, unable to adjust themselves to new methods, and often hopelessly in debt, the greater number of the peasants sold up their plots and either became labourers or else drifted to the towns to engage in industrial work, or possibly in the early nineteenth century emigrated to the colonies. By the middle of that century the true peasantry, reduced to a very small class, had been replaced by rent-paying tenant farmers of the modern English type. With this disappearance went all that remained of the traditional peasant gaiety and social life. Concurrently the old manorial courts and the peasant committees that had controlled the old village farms ceased to exist or lost their importance.

During all this period there was no organized opposition from the peasants. The explanation may be that the scattered peasants of the communal farms had no class-consciousness and

no political rights and no support from public opinion, which was influenced by the idea that large farms went best with the new industrial development. In the nineteenth century, between about 1830 and 1850, at a time of industrial distress, there was, however, some change of opinion. The Chartist movement recognized the land hunger of the people, and O'Connor, the Chartist leader, declared in his paper *The Northern Star* that 'peasant proprietorship is the best basis of society', but the idea died down with the collapse of the Chartist movement. It came up again in 1885 when labourers obtained the vote, in a movement primarily political, but with a real backing from country people, with the slogan 'Three acres and a cow', and an abortive Act of Parliament was passed in 1892 to establish peasant proprietors.

Again, early in the twentieth century a movement was started by Liberal and Labour politicians for the revival of the peasantry, who were then named 'small holders'. As a result, when the Liberals came into power in 1907-8, Acts of Parliament were passed enabling county councils to purchase or hire land and divide it up into small farms, which were to be sold or let to approved applicants. Power was given to the Ministry of Agriculture to enforce acquisition if land could not be secured by voluntary effort.

There was widespread excitement and applications for land began to come in not only from the country-side, but from men in the towns and even in the colonies, who wished to return to the cultivation of the land in their own country. In addition to a small number of applicants from co-operative landholding societies, 21,778 men applied to hire land from the local authorities in the first two years following the passing of the Acts, whilst a few, 359 in all, applied to purchase plots. There is every reason to believe that many more would have given in their names had it not been that there was a widespread belief that the Acts would not be put into force, whilst labourers, disturbed by the opposition of farmers, who thought they might be dispossessed of their lands, feared that if they applied they might be punished by loss of work or eviction from their cottages—of

which in fact some instances occurred. An agitation to enforce the operation of the Acts sprang up. Groups of men formed themselves into what were called Land Clubs, which federated into a Land Club Union, an organization that also advocated a standard price system, control of imports and co-operative organization of distribution on a democratic basis. Some county councils, notably that of Cambridgeshire, proceeded to put the Act promptly into force: others, such as that of Kent, at first refused to take action. Ultimately, at the instance of the Land Club Union and other agitators, the Government appointed commissioners to supervise the administration of the Act, and thereafter better progress was made. But the early successes of the Land Club Union, which might have developed into a true peasant movement, aroused the opposition of politicians of all parties, who appeared to have been suspicious of a movement which was outside of political control, and it was ultimately broken down. At the time that the War broke out in 1914 about half the applicants for land appeared to have secured holdings, as tenants of the councils, and some few as peasant proprietors.

A change in national policy as regards food prices (though it does not strictly belong to the story of the English peasantry) did indirectly affect their position. The traditional policy of the country had been directed to secure a fair level of prices as between the producers and the consumers of food. In pursuit of this policy a Corn Bounty Act had been passed in 1688 to regulate imports and exports by duties which varied with prices, and the importation of stock was prohibited, and this helped to stabilize prices for a century. It was also a common practice to fix prices in the markets of the country towns, and dealers who intervened to buy cheaply from the producer were constantly heavily punished by fine or imprisonment; even up to 1772 they might, if the law were enforced, be put into the pillory and expelled from the town in which they lived. The laws relating to dealing were no doubt constantly evaded, but, when cases were brought into court, these laws were rigorously enforced up to the year 1800. In that year, when the subject was a

burning question, Pitt, then Chancellor of the Exchequer, speaking for the Government, declared in Parliament that the dealer had a right to come between the producer and the consumer and make what he could at the expense of either. Thereafter, although the law on the subject was not repealed until 1844, it quickly fell into disuse.

The year 1800 appeared then to have marked the close of the policy directed to secure fair prices as between producer and consumer. Thereafter, dealers became established with the tacit support of the law, and there then sprang up the highly artificial and costly marketing system which, accompanied by perpetual vacillation of prices, has prevailed for over a century. Men of the peasant class suffered more than the large farmers from the dominance of the dealers, who were also often their money-lenders. It appears also that some country bankers inclined to finance the dealer rather than the cultivator, and so helped to increase the former's power. Internal free trade being then established there followed, at the instance of the industrialists, the opening of the home market to importers of foreign food; this policy ultimately resulted in the importers securing what was substantially a first claim on the home market. Owing to this combination of circumstances prices vacillated wildly, farming became a gamble, and every branch of the industry suffered in turn. At first it was the labourers who were impoverished, but later the farmers and landowners were also affected. In such an atmosphere of intensive competition, dominated on the one hand by the importations of food and on the other by the dealers, who were sometimes farmers themselves and often money-lenders, agricultural co-operation had not the same opportunity that it had in continental countries.

It may be noted in conclusion that whilst it was the influence of commercial ideas that caused the ruling classes in the later years of the sixteenth century to initiate the policy that led to the destruction of the peasantry, and the creation of a new agricultural life, it was the development of those same ideas, when commercialism became even more powerful in the nine-

teenth century, that went far to destroy the agricultural classes that the earlier policy had created.

(b) *France.*

The story of the French peasantry has little in common with that of the English peasants.

In both countries, however, the old strip farms, with their communal grazing and other rights in association with the demesne of a seigneur or lord, were still, at the beginning of the seventeenth century, in existence. But we find a difference of the treatment of this old institution; though innumerable instances of enclosure, by appropriation or by agreement between the lords and the communes, had already taken place at that time and continued from generation to generation, whilst in the nineteenth century there was legislation directed to throwing strips together and creating compact plots, there was nothing in France to correspond with the general policy of enclosure that was adopted in England. And in fact the peasants' plots have to a large extent remained scattered until to-day, and are admitted to be still a serious problem.

In some at least of the French provinces at the commencement of the period under review the peasantry enjoyed a substantial measure of freedom, and to this extent their status compared not altogether unfavourably with that of the average English peasant. Moreover, from the seventeenth century onwards the French peasant appears to have had some personal rights under the law of the land and was not quite so much at the mercy of his lord as were his fellows in eastern Europe; he could hardly be flogged to death or tortured. But taken in the mass, the French peasantry still formed in the early years of the seventeenth century the basis of a strongly entrenched feudal system, and indeed right up to the French Revolution the lords' claims on the energy and property of the peasants were so overwhelming as to reduce them at times to a state of extreme poverty and misery. There were periods, it is true, when their condition showed some signs of improvement. Moreover, France being composed of a number of provinces,

each of which had its own customs and institutions, there was no uniformity, and it is necessary to make due allowance for the fact that the peasantry, at any given time, might be faring better in certain parts of the country than in the remainder.

There were two special features in the life of the French peasantry from the beginning of the seventeenth century to the French Revolution. The first is the position obtained by the peasants' own organizations. As has already been pointed out, peasants tend to create their own organizations of a communal character to manage the village farms and local affairs, and even to administer in some cases a simple and direct kind of justice. In France these communal organizations crystallized into important institutions and became strongly established. Already in the sixteenth century they were to be found sending delegates to assemblies which chose deputies to the States-General, and thereafter they seem to have had a considerable controlling influence in their districts and to have negotiated on behalf of the people with the lords and the State and other outside authorities. At different periods they might be strong or weak, but they were apparently universal and were recognized as part of the State organization.

The second special feature of the rural life of that time was the character, fantastic as it seems to-day, of the taxation. There were three main taxes that affected the peasants—the *Taille*, which was looked upon as a special 'impôt des paysans', the *Gabelles*, that created a monopoly in salt which the peasants were forced to purchase, and the *Aides* or taxes on all sorts of merchandise. All these taxes, farmed out to contractors, were extremely onerous and became more so owing to the methods adopted in their collection. To take the method employed in collecting the *Taille* as an illustration. An arbitrary levy was made yearly on each commune, computed in theory according to the wealth of the inhabitants. The communes then appointed each its own collector, on whom rested the responsibility of getting in the money. Such collectors seem to have had some discretion as to how and from whom they collected the dues. Every sort of abuse arose. In the first instance it might be

possible, by bribery or influence, to get the amount of the levy on the commune reduced. Then, when actual collection came, a well-to-do farmer might bribe the collectors to let him off lightly, while a poorer peasant, unable to find a bribe, might be deprived of all he had. The money, it was said, was often extracted sou by sou from the poor peasant. If the collector failed to collect and pay the money promptly, officials arrived on the scene—*l'huissier, l'archer, les porteurs de contraintes*, and perhaps others: if these officials did not succeed in extracting the money, soldiers were called in to assist in the work. Unsuccessful collectors were frequently imprisoned, remaining in jail indefinitely. It was by such methods that taxes were collected from the French peasantry.

A slight historical sketch of the general position of the peasantry may now be given. In the first few years of the seventeenth century, during the reign of Henry IV, some attempt was being made to improve the condition of the peasants. But thereafter, in 'The Glorious seventeenth century', in the time of Richelieu, of Mazarin, and of Louis XIV, there was little but misery for the country people. Perpetual wars, civil and foreign, with levies on the men, the extortions of soldiers quartered on the peasants, the ravages and brigandage which accompanied wars and the epidemics and famines that resulted from them, combined with the crushing burden of taxation, and the heavy claims of the lords, who had to procure money at any cost to spend at Court, to bring intolerable sufferings to the peasantry. Innumerable illustrations of their condition could be given. For example, in 1636-7, when after the invasion of Burgundy a commission was appointed to investigate the condition of the people, it appeared that the population had been almost destroyed by famine and plague.¹ The report, describing incidentally a certain village of Flacey, stated:

plus de 160 personnes tant hommes, femmes qu'enfants morts et tués . . . si qu'à peine en reste-t-il vingt personnes. . . Les champs n'ayant pu être ensemencés en 1636, le resultat fut une épouvantable

¹ Quoted by G Roupel, *Les Populations de la ville et de la campagne dijonnaise du XVII^e siècle*, Leroux ed.

famine en 1637. Un magistrat qui en fut témoin écrit qu'on vivait des herbes des jardins et celles des champs . . . ; les charognes des bêtes mortes étaient recherchées; les chemins étaient recherchés; les chemins étaient pavés de gens la plupart étendue de faiblesse et se mourant. . . . Enfin on vint à la chair humaine.

The civil wars of La Fronde created a similar condition in many parts of France, and contemporary authorities give pictures almost too horrible to reproduce of the people's sufferings. Charitable movements were started to deal with the situation, but to a large extent they came too late.

Even the advent of Colbert, the great Finance Minister of Louis XIV, brought little benefit to the peasantry as a whole. He was prepared to support the peasantry, not, it was said, from any love of them, but because he based some part of his taxation policy on a wealth-producing peasant class. Like many other European statesmen who have followed him, Colbert seems to have over-estimated the value of trade development as a means of creating the wealth of a nation. He attached great importance to the wheat trade, and endeavoured to institute internal free trade in that commodity, and also encouraged export when he thought that a surplus was available. The main result of this policy was the development and ultimate dominance of the dealer, the speculator, and the money-lender, a phenomenon referred to above as occurring in England after the adoption of a free trade policy in the early years of the nineteenth century. Undoubtedly under his régime a number of small peasant proprietors as well as the larger cultivators attained a certain measure of prosperity, but the general condition of the peasantry remained unchanged. Misery naturally engendered revolt, and the reign of Louis XIV was marked by numerous 'Jacqueries' or peasant risings. One of the most violent broke out in Brittany in 1675. In this, it is said, some 25,000 peasants participated. The revolt was crushed by an army of 10,000 soldiers, who killed the men, ravished the women, and devastated the districts over which they passed. Mme de Sévigné,¹ at that time in Brittany, wrote: 'Ils ne font que tuer

¹ See Marquise de Sévigné, *Lettres*.

et voler. . . Ils mirent l'autre jour un petit enfant a la broche.' It seems as if at that time the peasants were looked upon by the more cultivated people as an entirely different caste, scarcely human. La Bruyère¹ writes, somewhat sardonically no doubt: 'L'on voit certains animaux farouches, des mâles et des femelles, répandus par la campagne.'

By the end of the reign of Louis XIV in 1715 misery had overwhelmed the people. At his death, says Saint Simon,² the provinces *tressaillirent de joie* and the people gave *grâce à Dieu d'une délivrance*.

Louis XV succeeded his great-grandfather on the throne. There was a regency from 1715 to 1723 and shortly thereafter Cardinal Fleury became the ruling power in France and so continued till his death in 1743. Lady Mary Wortley Montagu,³ who visited France in 1739, gives a very glowing account of what she saw during her visit.

'Everything I see,' she wrote, 'speaks in praise of Cardinal Fleury. . . . The roads are all mended and . . . planted on both sides like the roads in Holland. . . . The French are more changed than their roads; instead of pale yellow faces, wrapped up in blankets as we saw them [20 years before], the villages are all filled with fresh-coloured peasants in good cloth and clean linen. It is incredible, the air of plenty and content that is over the whole country.'

It is, of course, hardly necessary to point out that her ladyship did not see 'the whole country'; but even if she were guilty of some exaggeration, there must have been a remarkable change under Cardinal Fleury's régime, and perhaps a corresponding change, though for the worse, in the next forty years, with some improvement thereafter.

In the period immediately preceding the French Revolution the majority of peasants, though nominally free, were still subject to an intolerable burden of taxation and a variety of onerous and vexatious feudal and semi-feudal obligations. The village communes—that essential feature of peasant civilization—had, however, survived and had some little power to alleviate

¹ See La Bruyère, *Caractères*, 1688

² See Duc de Saint Simon, *Mémoires*.

³ See Lady Mary Wortley Montagu, *Letters*.

the lot of the peasant. Moreover, though there had been much enclosure and to some extent peasants had become proprietors, the old system of strip farming, with its relative common rights over pasture, woods, and wastes, was still a commonplace in many districts, and agriculture, save in a few exceptionally favoured districts, remained in a primitive condition.

The Revolution and the changes that followed it swept away the feudal and semi-feudal obligations. It also increased the number of peasant owners, though the enfranchised peasant also often remained on or became a *métayer* tenant. But concurrently it destroyed the communes and with them much of the communal spirit of the earlier peasantry. The changes served to create an excessive individualism in place of the old communal spirit, and this was to prove anything but a blessing to French civilization in the ensuing years. In one other direction, too, the Revolution failed to effect improvement. There was no policy of enclosure, no throwing together of the scattered strips of holdings into compact plots. The 'scattered plots' remained a very serious obstacle to agricultural development.

The Revolution may have rescued the peasants from much oppression, but it left a legacy of war and conscription that also hit them hard. Taxation, too, was still heavy. In the early years of the nineteenth century life was certainly difficult for the peasant. Save in special areas, especially in the north of France where there was considerable improvement in conditions, in districts where there were special crops like grapes or olives for which there was a special market, and in market-gardening areas near the towns, the peasant continued with his old life, and although, as the century went on, trade was always increasing, the normal French peasant's output was largely consumed by his own family or sold in the immediate neighbourhood.

With all his difficulties and trials, the peasant still found time to enjoy himself. Though his working dress was the *blouse* and *sabots*, the old traditional peasant costume was still kept in the family chest, and village fêtes were celebrated with all the old abandon and gaiety of mood and colour.

The middle of the century brought the peasant the vote, but he did not seem to have secured therefrom any immediate definite improvements in his condition. Nevertheless by this time the nation was becoming disturbed over the backward condition of agriculture and the poverty of the peasantry, and in 1848 a congress was convened to consider the whole agricultural situation. In its findings this congress deplored the excessive division of the land, the enormous areas of waste land, and the low standard of living of the peasantry; it contrasted the prosperity of the north of France with the miserable conditions of the rest of the country; and recommended the spread of education and the institution of agricultural credit. Even then little was done to give effect to the congress's recommendations. But some twelve years later important developments began to affect the agricultural situation. Manures were imported and agricultural machinery introduced. New crops were introduced and lecturers went round the country teaching more efficient methods of production. The ordinary peasant might be slow in adopting the teachings of lecturers, but he was impressed by what he saw, and the example of the larger and more enterprising farmers in introducing improvements was constantly followed. There were other influences also at work on him. Transport was quickened up and there was an ever-growing demand for food from the industrial centres. The dealer and speculator in produce was becoming ever more powerful and with him went an increase in money-lending. Finally, towards the end of the nineteenth century, the peasant, faced with the problem of competition and perpetually vacillating prices, forsook to some extent his individualism and, returning to his communal ideas, formed co-operative societies for his own protection.

In the eighties of the nineteenth century foreign competition, largely from America, was tending to ruin certain branches of French agriculture. Wheat production especially suffered. The French peasant accordingly took more and more to stock raising, dairy farming, and market gardening.

In the latter half of the century, although production

increased, the agricultural population diminished; the percentage of agriculturists fell from 53·7 of the population in 1860 to 41·2 in 1914. The dwindling of the agricultural population was set off to some extent by improvement in the peasants' general condition; and this might have been greater were it not that prevalence of the scattered plots remained as an obstacle to progress.

Striking features in the life of the country-side in the closing years of the nineteenth century and in the beginning of the twentieth century were the maintenance of small holdings, 85 per cent. of the farms being so classed; the increase of peasant proprietors, the number of whom had gone up from 1,812,000 in 1862 to 2,199,000 in 1892; a diminution in the numbers of métayer tenants and of farm labourers and the general disappearance of the local craftsmen, the weavers, the smiths, the potters, and the cobblers. The traditional gaiety of village life seems also to have dwindled.

(c) *Russia.*

The Russian peasant story differs in all its main essentials from that of England and of France.

Nevertheless Russia and France had in common that typical feature of peasant life, the village commune. In the Russian case this institution, the *Mir*, appears to have been built up out of the primitive communities of families and kinsmen which are referred to elsewhere, whose group chiefs formed the council that acting in conjunction with a general assembly directed the larger community of the village. This council appears, up to the end of the sixteenth century, in the days when the peasants were free, to have been almost all-powerful within the limits of the community, and even after serfdom became widespread it continued to play an extremely important part in village life. It survived the emancipation of the serfs in 1861, and only lost its position in the years that followed the revolution of 1905, when the national policy was directed towards establishing the peasants as individual owners of land. Up till that time the council of the *Mir* exercised a general control

over the peasantry's land. Continuing an ancient custom that comes from very early times, it redistributed among the families and individual peasants from time to time the scattered strips in the arable fields, and was also responsible for the crop rotation, the management of pasture and other communal lands, and such minor questions as repair of fences and bridges. It had, moreover, a corporate responsibility for the collection of taxes from its members and acted as the official agency for dealing with the higher authorities. No doubt the elders to some extent also undertook the settlement of the villagers' quarrels.

The peasants' world was then centred in the *Mir*, their one firmly established institution. Around it went on a perpetual tumult that continued with little intermission from generation to generation. Of this tumult it would be impossible to make a coherent story; still there were certain events arising from the village life or intruding from the surrounding world that may be referred to in order to illustrate the life of the Russian peasantry.

In the Urals and the Caucasus the peasant life, as in all mountainous districts, took a form of its own. Moreover, the Cossacks, when they once became established as a separate body, had their own peculiar rules and customs. But the normal peasant life of the Russians of the great plains had a certain uniformity which continued, with of course many minor variations, up to the time of the Great War. Such peasants, who were primarily subsistence farmers, creating their own food and clothing, lived in log huts which they built themselves. In the centre of each hut was the great stove; if they had sufficient firing they kept it burning all the winter, if they ran short of fuel they may have died of cold. The population tended to increase rapidly. The increase would have been even more rapid were it not that typhus, malaria, and plague of one sort or another took their toll, whilst deaths from starvation and cold were a commonplace; famines swept away whole populations over large areas; and the numerous revolts were followed by wholesale slaughter. The peasants were completely illiterate,

and over all was the lord, who was, before the enfranchisement, virtually a dictator. He may have ruled with a rod of iron, maintaining his position by flogging his peasants, by sending them to military service or exiling them to Siberia, and the serf was forbidden to complain. Or alternatively he may have had some element of benevolence. In the early days before the spread of foreign influence, which began when Peter the Great opened a 'Window on the West', the lord, if resident, might well live in a log house, an architectural enlargement of the peasant's home. Thereafter he might build a mansion in the manner of western Europe and then he would live more extravagantly, the manor house becoming the centre of a lively social life. A little later, and on to the time of the enfranchisement, we find the peasants were also being sent to work as semi-slaves in factories or in mines, the lord taking a premium or a share of any payments that were made for such services. If conditions became unbearable, the peasants might disappear either as individuals or *en masse*, and if they escaped, wander across the steppes until some distant part of the country, where there were no lords, was reached. They might get right away or they might be followed, hunted with dogs or rounded up by soldiers, and brought back.

The Slavonic peasantry had a migratory habit that, handed down from generation to generation, continued till recent times. In early days they would not only fly from their villages but might with their lord's permission drift off to colonize new lands, while to some extent before, and more often after, the emancipation they went off singly or in gangs for special work at harvest or other seasonal occupations in their own and other countries; whilst after the emancipation they went off to the towns and industrial districts to work intermittently in the mines and factories. There were always peasants wandering all over the country. Sometimes they were started on these wanderings by a special action of their lords. Serfs, it appears, were entitled in time of famine to claim food from their lord and in emergencies seed to sow their land. But the lord might, by freeing the serf, evade this duty, and this it seems he often did

if a man was too old or too feeble to work effectively. Such men joined the wanderers and roamed from village to village.

This migratory habit was not the only peculiarity of the Russian races. The whole story of the Russian religion appears fantastic to the Western mind. In the early years of the seventeenth century the Orthodox Russian Church was omnipotent, and its authority was maintained till the time of the Bolsheviks. Now it appears that it had even by the middle of the seventeenth century developed a ritual of its own. Amongst other special customs, to take what was perhaps a minor example, the devout were expected, in contrast with the practice of the Eastern Orthodox Churches, to cross themselves with two fingers only, repeating the Alleluia twice. The ecclesiastical authorities desired to change this special ritual, and in the middle of that century an official revisionist movement, directed by the Patriarch of Moscow and supported by the Tsar, was initiated. Among other changes, the people were to cross themselves with three fingers and repeat the Alleluia three times, whilst certain other changes were made in the old ritual. Dissent at once arose. Large numbers of the peasantry protested against changes which seemed to them of great importance, and a bitter struggle ensued. The orthodox section of the Church was in power and were determined to enforce the changes they deemed necessary. But the Old Believers, as they were called, could not be destroyed; indeed they fought for their religion and are found taking an active part in revolts. The position of the Orthodox Church was thus to some extent undermined; thereafter many other sects arose, all apparently based on some text or series of texts in the Holy Scriptures to which they gave their own peculiar interpretation. The Sectarians spread all over Russia, and it is said that early in the nineteenth century one-third of the population were enrolled in their organizations. The outlook of the Sectarians varied greatly, but they seem to have agreed in regarding the Orthodox Church, as established by law, as a factor in oppression on behalf of the lords, and to have looked, not so much for a reward in heaven as for a millennium—a Paradise on earth. Many of the sects

were communistic in character and considered that lands and goods should be the property of all. Some of the Sectarrians refused to pay taxes. Some of the cults had erotic tendencies and their ritual included fantastic revels. An extreme sect, the Fire Baptists, in order to obtain everlasting bliss, would assemble in a building and setting it on fire burn themselves to death. The Skoptsy, a widespread brotherhood, founded in 1760 by Selivanov, a peasant, who was revered by his disciples as an incarnation of God himself, indulged in wild dervish dances and mutilations. It is said that far more of the Bolshevik theories are derived from the teachings of the Sectarrians than from the dogmas of Karl Marx.

There was another special feature of Russian life. Revolts, large and small, were constantly recurring, for the peasants never seem for one moment to have lost the belief that one day they would be able to rise *en masse* and destroy their rulers. The most spectacular and, for a time at least, most successful revolt was that which occurred in 1773. It came from east Russia and was led by a Cossack, Pugachev, who adopted a method of centring attention on himself which, though it occurs in similar cases in the history of both Russia and other countries, seems strange in these times. Pugachev declared himself to be Peter III, the rightful owner of the Crown, and no doubt his declaration was believed. His forces were first recruited from the Cossacks, from Asiatic tribesmen, and from the serfs who had been taken from their homes and sold as semi-slaves to work in the mines of the Ural Mountains. With this little army he attacked the forces sent against him by the Tsar. Some of the imperial troops, themselves no doubt peasants, deserted to join the insurgents. There was no decisive battle. But the peasantry from the Volga valley flocked to the standard of revolt, and there was a great rising that spread right across eastern Russia. 'The land-holders', declared Pugachev, were 'opponents of our power, traitors to the empire, and despoilers of the peasants.' They were to be destroyed. A Reign of Terror began, and such of the landlord class as failed to escape were exterminated, their belongings seized, their houses and farms

burnt. But ultimately the forces of the Tsar proved to be too strong for the half-organized peasants, and the latter were defeated. Pugachev was captured, taken to Moscow, clapped into an iron cage and exhibited to the people: thereafter he was publicly quartered. The Reign of Terror then took another form. It was the peasants' turn to be slaughtered. The leaders were broken on the wheel or otherwise tortured, and many of the rank and file were hung; there was widespread devastation of the country-side. For the moment the peasantry were crushed, but even this did not destroy their spirit, for some fifteen years later further revolts started.

A strange feature of the history of the peasant revolts is that the Cossacks, who took a leading part in the early risings, in later years became attached to the imperial cause and were constantly employed in crushing these outbreaks.

With such surroundings and in such an atmosphere lived the Russian peasant for three hundred years. He was much oppressed; he may often have been compelled to work four or five or even six days a week on the lord's land, in which case he might have to cultivate his own land by moonlight. Nevertheless he somehow managed to find time to carry on a social life of his own with numerous festivals prescribed by the Church or ordained by custom, on which he donned his gay clothing, danced, sang, and drank.

Something remains to be said of the history of Russian serfdom, of the enfranchisement of the peasants and of the events that followed that enfranchisement. The story can only be told in bare outline, ignoring of course many important details. At the time when Michael Romanov came to the throne,¹ slaves, serfs, and freemen were being rapidly absorbed into a single serf class. And though freer conditions were maintained on the State properties, this tendency went on on the private estates, and more and more the fine gradations from slave to free peasant that had been characteristic of earlier times were ironed out and a uniform serf class created. Concurrently the burdens of the serfs became heavier. Moreover, in the latter half of the

¹ See p. 137.

seventeenth century the free peasants on the Crown estates were being handed over to private ownership and serfdom; it was said that during the reign of Catherine II a million 'souls' were so transferred. At that time it was computed that 80 per cent. of the Russian population was in bondage, and the bondage hardly differed from slavery. The law gave the serfs no rights to private property; they could be bought and sold, and it was therefore permissible, and later, as industrial enterprise spread, became a common practice to take the peasants from their villages and send them to work, under appalling conditions, in mines and factories. Serfs could also be mortgaged, and as the nobles became, in the eighteenth century, more and more extravagant, borrowing on the security of the serfs appears to have been a common method of raising money. As a result, towards the middle of the century the lords were becoming overladen with debts that bore interest at 12, 15, and even 20 per cent. To remedy this evil a State Loan Bank was established to finance the nobility and prop up the manorial economy. The loans made by this bank, which also appear to have been mainly secured by the mortgage of the peasants, went on steadily accumulating until at the time of the emancipation the private serfs had been mortgaged by their masters to State institutions to secure loans amounting to about 400,000,000 roubles, which was said to be more than half their cash value at that time. During the whole of the eighteenth century the general conditions were so bad that there were constant revolts and flights of peasants. Then, towards the end of that century, the State authorities seem to have become seriously concerned: they became anxious to reduce the burdens of the peasants; and in 1797 the Tsar Paul by an imperial ukase fixed three days a week as the serf's regular amount of service on the lord's estate. Some consideration was also given to the serfs by the lords, and occasionally in the nineteenth century an enlightened landlord would free his serfs and establish them on land which they concurrently burdened with land annuities. Such occasional freeing of the peasants went on until the emancipation of 1861, but even at that time serfdom

was almost universal: it was indeed computed that the number of persons in bondage was 50,000,000.

The emancipation of 1861 appears to have been in part inspired by the idealism of a few nobles and the Western ideas of some of the more intelligent bureaucrats. But there seem to have been more materialistic motives in the background. Emancipation would help towards the creation of an industrialized proletariat, and at the same time the nobles' debts to the State Loan Bank might be wiped out or reduced and the amounts transferred to the enfranchised peasants. In any case this is what actually occurred. The State compensated the lords for their alleged losses and whilst the land was handed over to the *Mir*, the peasant being treated as a shareholder in that institution, the land was burdened with debts in the form of land annuities, the payment of which was extended over a period of forty-nine years.

The freed peasants, many of whom were so loaded with debts that they might even be in a worse position than they were before the emancipation, carried on a desperate struggle for existence. There was extreme poverty and in 1891 a widespread famine. Payments of the annuities fell heavily in arrear and there was sometimes remission by the State, but in 1905 there were still arrears to be collected of 130,000,000 roubles. The troubles of the peasants arising out of the emancipation showed themselves in many minor risings and disorders, which culminated in the revolutionary movement that began in 1905. The peasants then through their union demanded that the land should be handed over to them free of all obligations. Their demands were acceded to, the *Mir* was swept away and the peasants became, in theory, at any rate, installed on their lands as peasant owners.

One other point may be noted. The emancipation of the peasant had weakened the communal character of peasant life and thereafter the differences between the peasants became accentuated. The *kulak* became more powerful and the poorer grades were impoverished. The demolition of the *Mir* helped to accentuate this tendency, for the rich peasant was then able

to buy out the land of his poorer neighbours, and so the increase of landless labourers continued.

At that time of the outbreak of the Great War it appears as if it was only the *kulaks* who flourished.

CHAPTER IV

AGRICULTURAL CO-OPERATION¹

I. INTRODUCTORY

THE most remarkable change in modern times that has influenced and, to some extent, controlled the life of the peasantry of Europe as a whole is the organization of agricultural co-operation. For its effect and consequences it deserves to be ranked with the abolition of serfdom as one of the great events of peasant history.

For many generations the European peasantry have been accustomed to combine not only in their communes but in such matters as management of their flocks and herds under appointed herdsmen, in harvesting, in landholding, and even in many business transactions. Interesting examples of such primitive co-operation are to be found in the rural history of almost every part of Europe.

Credit arrangements may have existed for agriculturists, as they undoubtedly did for industrialists, from the Middle Ages. In Spain, for example, early records show that advances in seed corn to be returned at harvest were made from communal granaries to needy cultivators. Indeed, loans of corn at seed-time for repayment after harvest appear to have been an ancient custom of Europe. Certainly in early days there were *montes frumentarii*, grain banks, in Italy, and similar banks in Spain and Portugal. It has been said that these grain banks were first established at the instance of the Emperor Justinian who was concerned in developing corn production and creating corn stores all over his empire. Further, the existence of societies for

¹ The author desires to record his appreciation of the invaluable help given by the officials of the Horace Plunkett Foundation in the work of preparation of the material on which this section is based.

providing credit is definitely recorded in Greece as early as 1760 amongst silk producers, sheep and goat breeders, and other small cultivators, and some form of agricultural credit seems to have been in existence in Poland in the first decade of the nineteenth century. From all these traditional practices the modern rural Credit Banks are but a simple step forward.

The processes of conversion of the raw product into food provide a natural form of co-operation, and the communal ownership of the village wind- or water-mill must have recommended itself to the mind of the peasant whenever he was freed from the liability to send his corn to the lord's mill. It would certainly have been an easy matter for practical peasants, led by the village carpenter, to erect one of the small old-fashioned wooden windmills still widespread in corn-growing districts of central and eastern Europe. Co-operative flour mills certainly existed in England at the beginning of the nineteenth century, and the existence of communal grist mills is mentioned in early records of Russia. Moreover, when a peasant community sent their individual cows to common pastures too remote for the individual peasant to milk his own cow, as, for example, in the mountainous districts of France, Switzerland, Italy, and the Scandinavian countries, some form of co-operative cheese- and butter-making must of necessity have sprung up, and in fact was widely established apparently from medieval times. Therefrom and no doubt in other ways joint sales developed.

It is probable that there were also early cases of joint purchase of requirements. Certainly in Russia the village commune bought salt and other necessities for the villagers.

Again, in mountainous districts where water had to be brought from distant spring heads or mountain streams, elaborate irrigation systems were created by the co-operative efforts of the peasants of the valleys.

Even co-operative insurance may have a history. Pig clubs, involving small weekly or other periodic payments to a fund out of which compensation was paid to a peasant owner if the pig should happen to die, have been a commonplace in England for generations. Such societies may have been peculiar to that

country, but it is not unlikely that they were common enough, if unrecorded, throughout Europe. In the Balkans pig societies of some sort go back to a very distant date.

Finally, landholding and cultivation by peasants was traditionally communal and may have taken a definite co-operative form.

2. THE MODERN MOVEMENT

(a) *General.*

All or almost all the modern forms of agricultural co-operation may then have had an earlier history. Nevertheless, the great movement towards agricultural co-operation that started in the latter half of the nineteenth century, though it had something in common with earlier efforts, was essentially different in character. It was in the main a definite attempt, initiated by men and women of public spirit outside the peasant communities, with in many cases the support of the Church and of educationalists, to install a sound business system. Thus it was hoped to free the cultivators from that dominance of the money-lenders and the dealers which, it will be remembered, had to a considerable extent superseded the control of the seigneurial lord, and to strengthen the financial and economic position of the cultivators of the land. The method employed, an example of what is called in sociology 'Functional Organization', has something in common with medieval practice and may be found to have, in certain details, a wide application to economic problems. The organizations initiated therefore form an economic experiment of great importance.

Agricultural co-operation, so instituted, took and still takes six main forms: (1) co-operative credit banks; (2) co-operative dairies, flour mills, bacon factories, and other similar organizations for transforming the raw product into food and other saleable products; (3) co-operative purchase of manures, seeds, tools, and other requirements; (4) co-operative marketing of produce; (5) co-operative supply of drainage and irrigation, and in later years electricity; and (6) co-operative insurance. Co-operative landholding and cultivating societies have also sprung up: they may be looked upon as a by-product of the movement.

In some countries, especially after the Great War, co-operation was supported by and more rarely promoted by governments. But this was not typical, for in early days all or almost all of the continental co-operative enterprises began from the bottom in a small way. When they succeeded and grew they combined to form regional or national federations, whilst in one case we find a federation founded in 1932 extending over national boundaries formed at Bucharest between the co-operative federations of Bulgaria, Yugoslavia, and Roumania: this federation has ambitious objects, but it is too early to say whether they will be attained. Such federations might combine the whole co-operative movement of a defined area or else be limited to dealing with special products, such as bacon, eggs, and wool, or, alternatively, to finance. The normal course was then the gradual building up of federations, with the help of which special developments took place. These developments took many different forms. Danish co-operators, for example, concerned in the bacon trade, built up before the War what was substantially a new export trade, and extending their operations to Britain created an organization in this country exercising a dominant control over marketing and even over prices, which were controlled, up till the year 1932 at any rate, by a permanent committee sitting in London; thus was instituted an acute form of competition with British producers quite out of accord with co-operative ideals. Again in 1918 we find a federation of Italian rural co-operators setting up a co-operative shipbuilding yard and building their own ships for transport of their produce to other countries.

(b) *Co-operation in detail.*

The importance of agricultural co-operation in the lives of the peasantry justifies some further account both of the movement and of the details of the system.

(i) *Credit Societies.* The modern movement began with the formation of the societies for the provision of credit, an effective start being made in 1862 in Germany, on the initiative of Herr F. W. Raiffeisen—a religious enthusiast, who had come closely

into touch with peasant life when burgomaster of a rural district. He was, it seems, the first of a long series of practical idealists, who, with an inspiring enthusiasm, have devoted themselves to the cause of the European peasantry, and he based his propaganda work on a direct appeal for help addressed to the more educated and public-spirited of the rural population. The peasantry he had found were largely in the hands of Jewish and other money-lenders and dealers, who not only lent money at high rates of interest, but sold them seeds and other requirements, often of bad quality, at high rates of charges, purchased their products at figures below the market value, and even forced the peasantry to permit their stock to be fed on the peasants' own land and on the communal pastures. Raiffeisen worked out practical proposals for dealing with this situation which took the following form. His Credit Societies were built up from small groups of persons who knew and could rely on one another, and these persons took a joint responsibility. The societies were managed in the main by voluntary committees. The money required was obtained in the first place from shareholders or by small loans, though later when the movement grew funds were obtained from outside sources. The money so obtained was advanced to members of the society only for short periods on personal security for specific productive purposes. Profits if any were not to be distributed, but to be accumulated for reserves or used for social purposes. The shareholders obtained interest on their money, proportionate to their investment, but in matters of control they voted as individuals and not in proportion to their financial holdings. Such organizations, it may be noted, naturally came to undertake the buying for the borrower of the requirements for which the money was advanced and the selling of the produce which provided the money from which the loan was repaid.

The Raiffeisen credit societies for a few years appear to have been confined to Germany, but in 1868 similar societies were started in the country now known as Czechoslovakia, where Dr. Kampelik was the inspiring personality. Thereafter in this and later in other countries the movement spread steadily.

Development was in almost all, perhaps all, cases followed by regional national federations which were accompanied by the creation of special central credit banks which secured the support of State, co-operative, and other banks.

It must not be assumed, however, that the principles of the Raiffeisen societies were uniformly adopted. Sometimes the Schulze-Delitzsch system, a compromise between the Raiffeisen credit societies and conventional banking, found favour with agriculturists; sometimes a combination of the two systems. But whatever the precise form adopted, the rural credit society became, even before the War, an essential feature of agricultural co-operation over a large part of Europe. There were, of course, many exceptions, notably Great Britain, Denmark, and Switzerland, where such credit societies were hardly known.

The War and the concurrent and subsequent variations in the value of currency had a disastrous effect on all rural banking throughout Europe, and in Germany in particular the Raiffeisen credit societies were in great difficulties. But the whole movement had made clear to governments outside Britain that there was a national need for some form of agricultural credit, and every effort was made after the War to build up efficient systems not only in those districts where the earlier movement had broken down or shown signs of weakness but also in many other parts of Europe.

(ii) *Co-operation and the Trading Side of Agriculture.* Agricultural credit societies dealt, of course, primarily with finance; trading, so far as it was carried on, was a secondary matter. Starting as a rule somewhat later, but when once started developing concurrently, came the even more conspicuous movement that dealt with trade in the cultivator's requirements, with the conversion of the products into food and other articles, and with sales. At the same time societies were built up for insuring cultivators from the many risks that attend their occupation.

All these societies dealing with the business side of agriculture were formed by shareholders like the limited liability companies of the modern type, but in all, or almost all, the societies the voting power of the shareholders did not depend on the amount

of their investment but, as in the case of the credit societies, each shareholder had one vote only whatever the amount of his holding. Moreover, the normal business principle that profits were to go to shareholders was discarded: shareholders were entitled to interest on capital only. Surplus profits, if any, after paying interest on capital at a reasonable rate, creating reserves, and setting aside funds for social and educational purposes, were distributed under an appropriate scheme amongst the persons, whether consumers, producers, or insurers, in whose interests the society operated. There were some variations of this business method, but in the main the practices outlined above were and are still followed.

Based on these principles, to some extent new in economics, and with financial backing from private and other banks, organizations of an extremely varied character grew up. Purchasing societies are to be found in Europe dealing with every sort of agricultural requirement including the provision of manures and fertilizers. These or similar societies may also purchase machinery such as threshing machines for the common use of their members. Conversion and sale societies similarly deal with every class of output, including not only such main products as corn, beef, mutton, and bacon, dairy produce, poultry and eggs, fruit and vegetables, but also wine and cider and tobacco, rose essence and other perfumes, olive oil, and the cocoons of the silk-worm.

In the societies dealing with sales, contracts are as a general rule entered into by the society with the producers, to bind them, under heavy penalties, to sell to or through the society only. The society thus undertakes to obtain for the producers the best available price: it does not necessarily secure for them an economic price at a level which would make sales profitable to the producer. This inability to secure with certainty an economic price is undoubtedly the weak point in agricultural co-operation.

Co-operative mills and factories of many different forms are to be found in Europe for converting the raw product into the saleable article, including, in forest districts, co-operative

saw-mills. Some societies deal with drainage, irrigation, and provision of electricity. Others again keep stud animals for breeding purposes and some keep stud books. One of the main purposes of many co-operative societies is to make careful and complete arrangements for testing the quality of the goods that pass through their hands for purchase or sale or for creating and maintaining a standard of quality.

Insurance societies deal with such risks as damage to crops from the weather and the death of stock, in addition to the ordinary business of insuring buildings, stacks of corn, and other effects against fire.

(iii) *Co-operation in Landholding and Agricultural Production.* One outcome of the co-operative impulse often overlooked has been the forming of societies amongst peasants and other cultivators for holding land and in some cases dealing directly with its cultivation. Such societies may take a farm or other area of land and either let it out in plots to their members, in some cases providing cottages and equipment, or else the society itself organizes farming on a co-operative or semi-co-operative system, under which, as in the old village communities, the tenant may cultivate part of the land individually, whilst part, such as the farm buildings and grass land, may remain in common use. Such co-operative organizations are common in Italy and are also to be found in France, Hungary, and the Balkans, and in a few cases in Britain and possibly in other parts of Europe.

(iv) *Co-operation and Education.* An important feature of rural co-operation is its educational work. Quite apart from the psychological value of bringing peasants together and teaching them the importance of team work, the societies have, in a large number of cases, though not universally, concerned themselves with spreading information on agricultural matters and generally educating their members. They seem also in some cases to have made their movements into important social centres.

3. SOME GENERAL COMMENTS

The relations of European governments to agricultural co-operation deserve exploration, though they can hardly be dealt

with here at any length. In all countries co-operative societies and their federations are regulated by special legislation. The character of this legislation and the position which it creates for the societies varies in detail. For example, to take a minor illustration, in some countries the societies are in part freed from taxation, whilst in others special taxation is imposed upon them. In other relations the attitude of governments has varied from time to time and still does so. In early days in some States the movement was looked on with some suspicion. This was so in Germany, but more markedly in the pre-War Russian Empire where, although it was permissible to form small co-operative societies, federation was expressly forbidden. It appears to have been thought that such federations might become both powerful and hostile to the central government. But as the importance of agricultural co-operation began to be recognized the opposition died away and in fact, as time went on, European governments became more and more sympathetic. Finally, in the present century and especially since the War agricultural co-operation has received in many, perhaps in most, European countries some measure of State support, which has taken many interesting forms, the details of which though of great importance can hardly be dealt with here.

Another matter of interest is the relation of the agricultural co-operatives to the corresponding industrial societies. It might be supposed that the town and rural co-operators would act in close conjunction, that there would be an interchange of commodities and services, and thus a 'Co-operative Commonwealth', the ideal of co-operators all over the world, created. But this has not occurred. In Denmark it is said that 'the relations are spiritual rather than economic', and this phrase seems to define the situation in Europe; the recorded cases of joint action are in fact very few.

It is important to realize that agricultural co-operation is not to be found everywhere in Europe, and even in those districts where it is most highly developed it is rare for the co-operators to have more than a partial control over the business side of agriculture, and the societies operate side by side with ordinary

competitive business. Agricultural co-operation has in fact always had a somewhat sporadic character, springing up here and there, generally on the impulse of some specially inspiring individual or group of individuals, and thereafter, when once established, extending, often rapidly, over large areas. Fertile ground for such societies is found where peasants have a certain amount of intelligence; some capacity for clear thinking and joint action is essential.

Nevertheless agricultural co-operation is to-day widespread. In France, for example, there appear to be some 40,000 societies for general business and related purposes, and somewhere about 5,000 credit banks. In a little country like Finland there are over 3,000 societies, and in the remote island of Iceland it is said that one-third of the population is within the co-operative movement. Though there are no exact up-to-date figures available, it appears that, even if we exclude the Soviet Republics, there are between 150,000 and 200,000 agricultural co-operative societies in Europe, and many millions of the peasantry of Europe must be co-operators. Even to those who stand outside, co-operation is a living and active force. It has enriched life and brought the peasantry together, given them sympathy and understanding of their common interests, and education, and so knowledge of both life and agriculture; it has no doubt been an element in the forming of the peasant political movements which are dealt with later. It has also created in a large number of cases efficient business organizations, and so relieved the peasantry from responsibility for matters for which they have no particular aptitude.

Nevertheless it has to be admitted that agricultural co-operation never had inherent in it the possibilities foreshadowed by the more ardent of its earlier supporters. Consequently it has not attained the complete success contemplated for it. The weakest feature of the movement has, in fact, been from the very first the lack of machinery to secure what is so essential for any scheme of rural development—the continuous equalization of supply and demand and the maintenance of an economic price level. No doubt co-operative organization has as a general rule

secured for the peasantry a better price for their produce than that obtained by the competitive business system, but the price secured has never of necessity been sufficient to secure an adequate remuneration to the producer. This failure has been specially marked in the years 1929-32, when co-operators, in common with other agriculturists, have failed to secure an economic price for their produce. To introduce a homely metaphor, co-operation took the peasant out of the frying-pan; it did not of course drop him into the fire, it put him on a crust that seemed solid, but there was a raging fire of world competition burning below; and ultimately, co-operation notwithstanding, the overwhelming majority of the European peasantry, in common with most other agriculturists, has fallen into the fire.

Finally, and this is perhaps its most important result, co-operation has made it quite clear that efficiency in banking and distribution does not depend on the elements of competition and profit-making. Indeed, it sometimes seems as if competition and the desire for making profits have been an obstacle to securing that these two important services should function in the common interest.

CHAPTER V

SOME CONCLUDING REMARKS

ONE can now conclude this essay with some comments on the present position.

The very existence of the peasant, the man immersed in cultivating a small plot of land with the help of his family, appears to be an anachronism in an age when the economic development of civilization has become largely mechanized. Nevertheless he remains. Even in Britain he is found to-day to be a not entirely unimportant feature in national life, for at least half of the British cultivators may be definitely classed as 'small men', of whom a considerable proportion are of the true peasant type, while some remnants of the peasant sense are to be observed not only amongst the agricultural labourers and village craftsmen of the country-side, but also in industrial

areas, where it may be noted that hundreds of thousands of men are only too anxious to obtain small plots of the so-called 'allotment land' for their own cultivation, on which, when obtained, they are generally successful and constantly secure remarkable results.

Nevertheless these peasants and men of peasant sense are in the background of the national life of Britain. In Ireland and in continental Europe the position is entirely different. The peasantry still form a substantial part of the population, possibly (if Russia be excluded) about 40 per cent. Moreover, in every continental country except Russia, their real importance in the national economy is recognized and national policies have been directed recently to increasing their number and strengthening their position. A Danish townsman who considers himself intelligent may remark casually that 'We think the Danish peasantry are the stupidest in Europe',¹ and the normal European of the intellectual class may hold a similar opinion of the peasants of his own or of some other country, looking upon them, as in fact they may be, as the survival of a primitive form of civilization. But in continental Europe and in Ireland the peasant will still be recognized as the creator of food and a main source of economic wealth. Suspect as he is in Britain, it is in Russia alone of European countries, where the belief in mechanization has amounted almost to a mania, that the existence of a peasant class is considered a disease of civilization.

It is, however, true that notwithstanding the European appreciation of the value of the peasantry, this class is at the present time, in common with all other agriculturists, in a difficult position. This position appears to be the logical outcome of the adoption of the economic theory, developed out of the 'New Enlightenment' of the eighteenth century and known as the *laissez-faire* theory. In the crude form in which this theory has been introduced into the political life of most European countries it has materialized in practice, so far as agriculture is concerned, into three ideas. It was thought in the years following the War (1) that development of food production could be

¹ A remark made to the author.

safely proceeded with, since consumption could be expected to develop in due relation; (2) that rationalization and improvements of methods could be recommended for food production as for all manufactured goods, for although such rationalization and improvements might increase the output per individual and so have an immediate reflex action in causing unemployment, the person so unemployed would be absorbed elsewhere; and (3) that if trade were allowed to develop freely, the wholesale prices for the food produced would adjust themselves in due time to an economic level, i.e. to a level that would pay the producer.

Inspired by some such ideas as these the governments of many European countries took steps, as has been already explained, to expand their food production without due regard to the possibilities of consumption. In countries such as Italy and Britain, where there was a large home market available to consume the food produced, there is much to be said for a policy directed to the development of food production. But in most other European countries the position is entirely different. There are in fact few countries in Europe where it is not comparatively easy under modern conditions to produce the greater part and possibly the whole of their essential food supplies—in Britain, always looked on as a certain market for foreign food, this is clearly so—while if home production of food is not developed in every country unemployment will of necessity arise. There is, therefore, little if any prospect of any European State having a large-scale market for any surplus food it may produce.

The position is affected by another series of events. Mainly as the outcome of the spread throughout the civilized world of ideas similar to those already referred to, other countries outside Europe have definitely increased their food production; while concurrently the unemployment created by rationalization in industry and to a less extent in agriculture has combined with other causes (as, for example, the use of motor transport, which has largely destroyed the demand for fodder, straw, &c., to feed and bed down horses,) to reduce consumption, or if not to

reduce it, to form an obstacle to its development. Production has therefore throughout the world outrun any effective demand for consumption, and thereupon—and this is a main point—world prices have, after fluctuating widely, fallen rapidly to a low level in every branch of agriculture. The general position of the European peasant is, therefore, this. The wholesale price of the peasant's surplus to-day is rarely much above the cost of production and is to a large extent below it; while if he increases production, prices may be expected to fall lower, since there can be no effective demand for his surplus produce outside his own country. Concurrently the peasantry are almost uniformly in debt. These debts certainly run to hundreds of millions of pounds, and, since rates of interest are rapidly increasing, in central and eastern Europe at any rate are not only very high but are likely to become higher. Moreover, these debts, which are due to State or other banks, to credit banks and money-lenders, to traders, and also no doubt to the merchants, co-operative supply societies and tradesmen who supply the peasantry with these requirements, were substantially incurred on the supposition that agriculture would flourish and that there would be a good market for surplus products, and so money made to repay the debts incurred. Since this supposition cannot possibly materialize, it is out of the question that the loans can be repaid. A series of conferences have been held to consider the position so created amongst the peasant populations of eastern Europe, but with no result. Concurrently governments are being urged from the League of Nations to develop freedom of trade and industry in the belief that such development will ultimately solve the problem. On the other hand, the normal instincts and experience of every nation drive them to protect their own producers from the result of competitive trade and the fall of prices that goes with it. In the Baltic States, for example, it is said that trade between nations is nearly stopped by quotas, high import duties, or other methods. Indeed in every country legislation of one sort or another appears to have been introduced to safeguard the home producer against the competition of foreign importers. Here the governments concerned have the

support of another school of economists and sociologists, who advance the idea that it is to the advantage of all States to develop their own capacities to the maximum and so maintain their own price levels; for which purpose they urge that it is wise to reduce their foreign transactions to purely complementary trade. This theory has strong support in Italy, where it is being put into force so far at least as agriculture is concerned. It is also under consideration in Britain, where it has some slight influence on the Government, in Germany, in Ireland, and no doubt in other countries. Politicians are generally in doubt as to what is the best course to pursue. The whole position is influenced by the financial difficulties of all nations; no nation, for example, has yet been able to find a solution of the problem of stabilizing the value of their money; vacillations of money values therefore go on and these also affect the prices of food-stuffs.

It would not be possible to disentangle all the various influences that are creating confusion in every European country. But one thing is clear. The peasantry bear their share of the suffering, and whatever they may do their debts will accumulate, piling up perpetually with simple and compound interest at ever-increasing rates which the custom of our civilization permits.

This analysis of the immediate economic situation indicates that, outside those States where he has been especially protected in the last few years from the full effects of the fall in prices, the peasant, whether landowner or tenant, must very shortly fall into the hands of the mortgagee or some other of the various individuals that have lent him the money that he cannot repay. It might seem, therefore, that he would disappear. But in life matters do not always work out logically, and history suggests that unless the peasants are driven away by force, such as was applied in England under the enclosures and has been attempted in Russia in recent years, nothing will remove them permanently from the land. Moreover, outside Britain there is hardly a government strong enough, even if they had the desire, to allow a large class of cultivators, who are also electors and at least

prospective taxpayers, to be ruined and driven from the land; and this is specially unlikely to be permitted at a time like the present when migration to the towns or to other countries is practically impossible and there is no alternative occupation to which the peasant can turn. *J'y suis, j'y reste* has in the past been the peasant's motto: and it may continue to be so. The peasant, then, may obtain some special protection and support in most European countries. Elsewhere he may lose his land and be ruined: but even when ruined he may yet remain on as a cultivator, under some arrangement or other devised to meet the special circumstances of the case. Thereafter, if and when the price and marketing problems are settled in the State in which he lives, he may obtain in a generation a position of comparative health and stability. He is in fact more concerned with life than with money-making. His whole mental outlook, his manner of life, and his capacity for enjoyment may turn out to be invaluable in a civilization in which, owing to the fact that the power of producing food and other goods will have far exceeded the possibilities of consuming them, it will be unnecessary and even undesirable to work hard or for long hours in producing what cannot be consumed.

But when all has been said there still remains something in the peasant outlook and philosophy that eludes us. Both come clearly from a remote past, and may arise from some essential element of human life. They deserve therefore careful study, for it may be that the underlying ideas will give invaluable aid in the solution of the puzzles that modern civilization has created.

EUROPEAN AGRICULTURE SINCE 1750

By R. R. ENFIELD

GENERAL CONDITIONS OF LAND TENURE AT THE MIDDLE OF THE EIGHTEENTH CENTURY

THE middle of the eighteenth century found agriculture in the greater part of continental Europe hardly advanced upon that of the Middle Ages. Only faint signs had appeared of the great changes which were to come over it in the next 150 years. The system of land tenure, still essentially feudal or servile in character, was centred in the lord of the manor or his equivalent, and the peasant's right to the land was not yet secured by free contract. Indeed, servile tenure remained the predominant system amongst cultivators of many European countries until a comparatively recent date. In France prior to the Revolution the position of the servile tenants was perhaps the best which they had reached before their full emancipation, while in the Balkan peninsula and north-east Germany it was probably the worst. The Balkan peasant had been reduced to conditions of great misery partly in consequence of the increased power of the landlords after the wars of the sixteenth century which had brought about a more strictly servile condition amongst the customary tenantry, while throughout central Europe the peasants had suffered a set-back to a lower standard of freedom than they had actually enjoyed in the later Middle Ages; even where in consequence of peasant risings their position had been temporarily improved, their independence had been weakened by reactionary forces.

The compact village with its open fields formed the basis of rural life. Round the village lay the open arable fields, cultivated in common, which were hedgeless, or un-enclosed and frequently divided by turf covered balks into two, three, or sometimes four fields. The most prevalent was the three-field system in which the arable land was usually cultivated in a triennial succession of wheat or rye, of spring crops such as barley, oats, beans, or peas, and fallow. On the outskirts of the

arable fields nearest the village lay the meadows, common pastures, and waste. The meadows provided hay, the pastures grazing for live stock in common, while the wastes provided fern, heather for litter, bedding, or thatching, timber for fencing, &c.

In England the decay of the manorial system as it had existed in the Middle Ages was already far advanced. 'As early as the end of the twelfth century landlords had begun to withdraw their demesne land from the village farm, to consolidate, enclose, and cultivate them in separate ownership.'¹ The enclosure movement during the latter half of the fifteenth century, and between then and 1760, had been more or less continuous, reaching its height during the period of the Tudor kings, with the result that at the beginning of the eighteenth century hardly half the arable land remained cultivated in the open-field system.

In the unenclosed English village, where it still remained, each of the three arable fields was divided into a number of 'shots', 'furlongs', or 'flats' separated by balks, and these in turn were subdivided into strips with different occupiers, some of whom occupied several, some a few. In order that no occupier should find all his land fallow in the same year, it was usual for each to have one or more strips in each of the arable fields. The strips were cultivated on a uniform system by agreement, and after harvest were thrown open to pasturage. Common meadow land was divided up by lot and distributed amongst the owners of strips, until the hay had been carried, when the meadow, like the arable land, was thrown open for pasture. The common waste, also used to some extent for pasture, was open all the year round.

The village community was made up as follows: Firstly there was the lord of the manor; after the lord came the freeholders, both large and small, both classes constituting the 'yeomanry', next came the copyholders, then the tenant farmers holding the land by various forms of tenure, and finally cottagers, squatters, and farm servants. The agriculture of the village was conducted

¹ Ernle, *English Farming Past and Present*.

on an essentially co-operative principle. No farmer, however important, could cultivate his strips as he pleased. The system of cultivation would be settled for him by the jury of the manor court. These courts decided what seed should be sown in different fields and the dates at which they were to be opened for common pasturage. Cottagers, squatters, and farm servants earned their living mainly as labourers. The cottagers either owned or occupied cottages and had rights of common on the waste and sometimes over the common field. The squatters, originally a separate class, but in time merged with the cottagers, were settlers who built themselves huts and cleared pieces of land in the common or woods, at some distance from the village. Finally, the farm servants, who were usually the children of the small farmers or cottagers, lived in their master's house until they were in a position to marry and take a cottage of their own. Such was the typical open-field village of the eighteenth century, although such villages might show great variation in detail, and were constantly subject to change brought about by individual sales of land or the enclosure of common land.

In northern France an open-field system was still the foundation of agriculture at the middle of the eighteenth century, though it had undergone considerable modifications since the Middle Ages. The same also prevailed broadly speaking from the Swiss Alps to Russia, over Denmark to the lowlands of Scandinavia. In Germany the system was closely similar to the English; the three arable fields divided into roughly rectangular sections—the *Gewanne*—corresponding to the English 'shot' or 'furlong', these in turn divided into strips. The flats of western and northern Belgium, Holland, and part of western Germany were exceptions since hamlets and scattered farmsteads instead of compact villages, largely prevailed. Part of the western and southern stretches of France had, however, never been based on the typically northern open-field system. Moreover, the cultivation of vines, olives, and fruits in the south had given a special character to the agriculture of a warmer climate; the arable fields of southern France mostly lay open but vineyards and orchards were walled.

Where under the manorial system or its equivalent the open fields formed part of the landlord's estate, the tenure by individual cultivators was based upon some form of payment in personal services, in kind, or in money.

The gradual decay of the manorial system and the rise of the peasantry from a legally tied to a legally free condition was a transition which in Europe as a whole covered several centuries. It was a movement which involved two distinct sets of questions—questions of tenure, and questions affecting the status of those who occupied the land. In England the servile status of the peasants had long been abolished. The enclosure movement, which was so pronounced a feature of the latter part of the eighteenth century and the earlier years of the following, was therefore predominantly a question of land tenure, associated as it was with the rise of capitalist farming. On the Continent, on the other hand, the break-up of the manorial system was more definitely connected with the emancipation of the peasants. For this reason political rather than scientific or technical changes were by far the most significant in the history of the agriculture of western Europe during the latter half of the eighteenth and beginning of the nineteenth centuries and of eastern Europe far into the nineteenth and even twentieth century. We may, therefore, turn to a brief consideration of these events.

The Enclosures in England.

The final stages of the enclosure movement in England which approximately covered the years 1760 to 1815 wrought great changes not only in the system of land tenure, but in the whole social structure of rural England and ultimately in the technique of farm practice. 'There has probably been no change in Europe in the last two centuries comparable to this in importance, of which so little is known to-day and of which so little is to be learnt from the general histories of the time.'¹

Behind the enclosure movement lay a complex set of causes both economic and political. On the one hand, the agricultural disadvantages of the open-field system were obvious. The work

¹ J. L. and Barbara Hammond, *The Village Labourer, 1760-1832*.

in labour and cartage through individual cultivators occupying scattered strips of land widely separated from each other was very great, the existence of the scattered strips were the source of constant quarrels in regard to the exact position of the boundaries which could be easily shifted, the strips were too narrow to admit of cross ploughing or cross harrowing. Drainage was practically impossible because if one man drained his land another might block his outfalls. Moreover, all occupiers were bound by rigid customary rules, and no winter crops could be grown so long as the arable fields were subject to common rights of pasture from August to February.

That the open-field system was an obstacle to progress was a common theme amongst agricultural writers in support of enclosures. Notably the Rev. John Lawrence in *A New System of Agriculture* (1726) had insisted on enclosures and separate occupation as the best means of improving production, while Edward Laurence in *The Duty of a Steward to his Lord* (1727) had argued in favour of enclosures in the interests of more economical management. Arthur Young also was loud in his eulogy of the 'spirited landlords', zealous for the advancement of agriculture, while he was equally emphatic in his condemnation of the open fields and common. But the technical aspects of the question were far from being the only ones of importance.

In reality the movement was associated with the commercial and industrial development of the country, inevitably bringing about a transition from an agricultural system based on the self-contained village to a system of farming for profit, where the produce of the farm largely went to feed the growing population of the towns. The rapid development of the industry and commerce of England lay at the root of the wide difference between the agrarian history of England at this period and that of the majority of other European countries. Great wealth accrued to England from her expanding trade, and much of it was invested in land. In consequence, English agriculture tended more and more to become a capitalist industry. William Cobbett sometimes attributed the enclosure movement entirely to the greed of landlords, but in reality, although improved rent

was in numbers of cases the immediate objective of landlords, the economic and political circumstances of the times directed against the smallholder were forces against which he was too weak to struggle in his efforts to maintain his independence, at the same time creating conditions favourable to the most drastic action by landowners in the direction of consolidating their estates and applying to them, under unified management, the new ideas, then gaining ground in the sphere of farm practice. Moreover,

when we remember that the enterprise of the age was under the spell of the most seductive economic teaching of the time, and that the old peasant society, wearing as it did the look of confusion and weakness, had to fear not only the simplifying appetites of the landlords, but the simplifying philosophy in England of an Adam Smith, in France of the Physiocrats, we can realize that a ruling class has seldom found so plausible an atmosphere for the free play of its interests and ideas.¹

This is not to say that defenders of the small peasant and of the open-field system were not to be found. John Cowper for example, in an *Essay proving that Inclosing Commons and Common Field Lands is Contrary to the Interests of the Nation* (1732), argued that enclosures were injurious to the freeholders and to the poor, and led to rural depopulation. 'If any one can show me', he wrote, 'where an Inclosure has been made and not at least half the inhabitants gone, I will throw up the argument.'

The enclosures prepared the way—indeed to a large extent made possible—the great advances in agricultural technique which followed them. But the motives which brought enclosures about were not elevated ones. There is no doubt that the process was often carried out with a ruthlessness and inhumanity which caused a great deal of avoidable suffering to the peasantry and even aroused at times armed resistance. Between 1700 and 1760, Acts of Parliament allowed the enclosure of nearly a quarter of a million acres made up of open fields and some waste, and 75,000 acres of waste land alone. Two and a half million acres of open fields and about three-quarters

¹ J. L. and Barbara Hammond, *The Village Labourer, 1760-1832*.

of a million acres of common waste were enclosed between 1761 and 1801; one and a half million acres of open field and nearly 1,000 acres of waste between 1802 and 1844. Altogether some 3,883 enclosure Acts were passed between 1761 and 1801. By the middle of the nineteenth century, the process was practically complete, although some open fields and waste remained, part of this land to be enclosed at a later date. The great majority of small copyholders had been driven off the land or had become landless wage-earners. Their holdings, as well as those of most of the larger copyholders and freeholders and some small manors, had been engrossed in big estates. On these estates the farms were held on lease by farmers who merely rented the land and buildings, supplying themselves the live and dead stock. Thus finally the yeomanry of England disappeared and were replaced by capitalist farmers—large and small—who have occupied the land ever since. Thus also England became, in contrast with western Europe, a country of relatively large farms.

Land Tenure in other Countries.

In France, although the changes during the latter half of the nineteenth century were also political rather than technical, the course of agrarian history was very different from that of England. France continued to remain an agricultural country. Except in certain specialized branches she did not develop manufacturing industries to the extent or with the success of England or later even of Germany.

Throughout the northern and north-eastern part of the country, amounting altogether to about one-third of the whole, agriculture had once been carried on on a system closely related to the open-field system of medieval England; indeed in spite of many modifications, it still possessed the general appearance of that system. It was a land of compact villages; round each lay its three great fields, just as in England before the enclosures. The old three-course crop system survived, of winter wheat, spring corn, fallow. There were rights of pasture on the stubble and on the commons and rights of wood-cutting on the waste. In the extreme south, however, there remained an agricultural

system based on a long tradition, the essential elements of which were the cultivation of wheat, olives, fruit, and vines. Between these extremes various intermediate types of farming existed both in the central and the more western part of France, while in the west there lay also vast and as yet unreclaimed stretches of waste.

In France there had been no experience comparable with the enclosure movement in England. It is true that enclosures had taken place. There were whole provinces in which the enclosed fields predominated. But such enclosures did not, as in England, lead incidentally to improvements in technique. Arthur Young writing in 1794 exclaimed, 'the marvellous folly is that in nine-tenths of the inclosures in France, the system of management is precisely the same as in the open fields'.

Prior to the Revolution there were amongst the French peasantry a considerable number who were proprietors of their holdings; in particular these were to be found 'in Flanders and Artois, the Pyrennean Valley of Béarn and the Rhine Valley bottom in Alsace'.¹ But much more numerous were the *censiers*, who held land by an ancient *cens* or quit rent 'The most favoured among them might owe *cens* and nothing else but a fixed payment, akin to the fine in English copyhold tenure, made when land subject to *cens* changed hands at death. As *cens* and fine had usually been fixed generations or even centuries back, and the purchasing power of money had steadily fallen, the burden was singularly tolerable.'² Some *censiers* held their land subject to an uncertain fine, or to heavy personal obligations to their lord. At the bottom of the scale of landholding peasantry came a small group known as *mainmortables* who owed some manual services to their lord, and could not sell or bequeath their land except to children of their own resident on the land. Finally there were the agricultural labourers, a class which contained few entirely landless individuals, but was mainly composed of those who worked for wages because their land was inadequate to provide support for the family.

Apart from these classes there remain the *métayers*, an

¹ Clapham, *Economic Development of France and Germany*.

² Ibid.

exceedingly important element in the French agricultural system and one which was not removed by the Revolution. *Métayage*, or tenure by sharing crops between the landlord and cultivator, was very widespread. According to Arthur Young something like seven-eighths of the agricultural land of France was held under this form of tenure or some modification of it; it seems certain, however, that this estimate was too high.

Servile tenure in France was finally abolished by two laws of 1789, the first of which put an end to all rights touching personal bondage, and also deprived landlords of any jurisdictional rights they might retain and of many of their rights over their tenants' land, while it declared all persons without distinction of rank to be eligible for landownership. The second declared the land of France to be free 'as are the persons who inhabit it'. It further allowed the landowners to change as they liked the cultivation and farming of the land, and to dispose of the produce as they wished.¹

Under these laws all the land which was not held on lease became the absolute property of its holders, and the revolutionary principle that 'all men are born equal' was recognized in so far as peasant and noble were now, as landowners, equal before the law. But although the Revolution swept away serfdom it did not abolish *métayage*. The feudal obligations of the *métayer* were removed, but the principle of share tenancy remained and came to be incorporated in free contracts between landowner and occupier, the *métayer* continuing to pay a share of the produce to the landlord, the latter supplying not only the land and permanent improvements, but capital in the form of oxen and sometimes seed and machinery.

It is hardly surprising that the Revolution led to, or at least encouraged, what in some respects became a dominant characteristic of French agriculture, and without doubt furnished the most striking contrast with England, namely, the great number of independent owners established on the land. While England under the enclosures was tending towards relatively large farms held on tenancy agreements which were to

¹ See Irvine, *The Making of Rural Europe*.

remain its distinguishing feature in the subsequent years, France was becoming the land of the *petite culture* held mainly by small peasant proprietors. The number of landowners, apart from owners of urban property in lots, was estimated at no less than 3,799,000. Although it has often been thought that the subdivision of the land originated with the Revolution and was perpetuated and increased by the law of succession established by the Code Napoléon, there were certainly other causes. The purchase of small parcels of land by the peasants had been continuously taking place long before the Revolution and remained an important cause of subdivision after it. Further, France had a natural aptitude both of climate and soil for several kinds of production appropriate to the *petite culture*. At all events France gradually assumed the character by which its agricultural system has subsequently been distinguished, a country of small farms, assiduously cultivated, with a technique adapted to small enterprises, conspicuous for the high expenditure of human effort with a comparatively little use of mechanical aids, and with the peasants themselves patient, plodding, following their rule-of-thumb methods of cultivation with little motive and little desire for change.

Apart from Holland and the border provinces of north-west Germany where scattered homesteads with only a few compact villages prevailed, Germany in the latter part of the nineteenth century was a land of the open-field system. Especially in western Germany, the appearance of the village with its surrounding fields, with the subdivision into the familiar strips, was strikingly like that of England. The system had on the whole probably changed less since the Middle Ages than that of northern France, although this did not apply to eastern Germany, while in the province of Schleswig-Holstein there had been an enclosure movement like that in England, and in Denmark the Government carried out a regular policy of consolidation and enclosure between 1770 and 1800.¹

Eastern Germany, on the other hand, was a country of the powerful landlord; evictions and the consolidation of land in the

¹ Clapham, *Economic Development of France and Germany*.

lord's hands had been of frequent occurrence during the sixteenth, seventeenth, and eighteenth centuries. Sometimes whole villages were destroyed, and the lord became his own capitalist cultivator. At the time of the French Revolution the position of the eastern German peasant was unquestionably inferior to that of the French peasant and inferior also to that of western Germany. Although there were some free peasants, those on the typical eastern manor were all servile. They were subject to manorial jurisdiction, and were bound to the soil. They owed the lord heavy duties, such as the duty to serve with ploughing cattle, or to do any work required by him. Such services were supplemented by various dues and payments either in money or kind. Even the members of the peasant's family were often bound by servile conditions, obliging them to render services about the manor house.

The process of emancipation of the peasants in Germany was a protracted one and did not come with the general abolition of feudal dues as in France.

Before the French peasants began burning châteaux the abolition of agrarian servitude or its remains had been discussed by almost every Government of western Europe. The lesser princes had done their best. The Dukes of Savoy got rid of feudal dues and servitude between 1770 and 1780. Denmark began a most important series of reforms in 1784. For over twenty years the abolition of personal service and other feudal obligations went on. The Danish peasant became free: sometimes a freeholder, sometimes a tenant.¹

Prussia actually afforded the most striking emancipation movement in Germany, mainly due to the initiative of Frederick the Great. On his own property he not only introduced reforms lightening the services of the peasants, but he also sought to reform their condition of bodily servitude and to secure for them the right of inheritance. After the death of Frederick the Great in 1786 little progress was made until the edicts of 1807-8 under which the peasants acquired the right of landowning and the freedom to sell land in their possession as they liked. These were followed by the edicts of 1811, 1816, and 1817, under

¹ Clapham, *Economic Development of France and Germany*.

which various classes of peasants became proprietors on ceding part of their holdings to their lords. These did not, however, apply to the lower grades of the agricultural population, the *Kossathen*, who tilled land but had not a regular holding in the village fields, or to the cottager. The latter the law passed over altogether, and they usually ended by becoming labourers as was the case with the poorest classes in England after the enclosures.

Such in briefest outline are the changes which took place during the latter half of the eighteenth and beginning of the nineteenth centuries in the chief countries of western Europe, leading to the abolition of servile tenure and the establishment of land systems upon which modern agriculture in each country was ultimately built up. In eastern Europe, however, emancipation of the peasantry was long delayed. It did not come in Russia till 1861, and in some of the Balkan countries it was not completed till even later.

The basis of organization of Russian agriculture from early times was the *Mir*, or village commune, with its open-field system similar to that of western Europe. Up to the sixteenth century the *Mir* was a free village, the families holding the arable and meadow land on a co-operative basis, and the pastures and forests undivided, and in common ownership. From the sixteenth century until 1719 it was a manor with co-ownership and re-allotment of arable and meadow land from time to time among the occupiers. From then until 1861 the *Mir* was a manor with rights to the arable and meadow land distributed amongst the holders in accordance with the number of persons in each family.¹

In 1861 came the emancipation of the peasants, and with it a new period began of the free commune. The lords received part of the lands with some money compensation, the peasants becoming proprietors of the rest either collectively, the title being vested in the *Mir*, which had the power to redistribute it as was common in Great Russia, or individually, as was more common in the Ukraine and south-west provinces.

¹ Gras, *A History of Agriculture*.

In some respects the Russian Act of 1861 was conceived on more liberal lines from the point of view of the peasant than many of the corresponding measures in western Europe. It went very much farther in recognizing the right of every peasant to a certain area of land representing the normal peasant holding for the locality, and when this was insufficient the peasant was allowed an addition out of the rest of the landlord's estate.¹

After the emancipation there were found three classes of Russian peasants: the former serfs of private landowners, the peasants of the appanages and domains of the imperial family, and those settled on State-owned land. But there was a considerable difference in the status of these classes. The last mentioned were in a much better position than the others. They had, even before the emancipation, enjoyed greater independence than the serfs. But not only in the size of holdings were the newly established small peasants at a disadvantage. Before the emancipation there were in general two methods by which serfs paid for the land they cultivated, *barshchina*, or payment by labour, the serf being obliged to work a certain number of days upon the lord's estate, and *abrók*, or payment in money. The Statute of Redemption in 1863 enabled the peasants to purchase their holdings, and 'Redemption bonds' were issued by the State carrying interest at 6 per cent. to facilitate the land purchase. For those peasants who had been accustomed to pay their dues in labour the problem of finding the required cash became a very serious one, so much so that the Government found it necessary considerably to reduce these payments.

More important than these difficulties, Russia like other Western countries suffered a prolonged agricultural depression accompanied by a continuous fall of prices from about 1872 nearly to the end of the century. It came at a critical period in Russian agrarian history. It was accompanied moreover by a rapid growth in the rural population, which still further increased the difficulties of the peasants in deriving a living from their small and inadequate holdings. Technically backward,

¹ For an account of the development of Russian agriculture before the Revolution see *Agricultural Russia on the Eve of the Revolution*, by George H. Pavlovsky.

the peasant still pursued his rule-of-thumb methods of cultivation; little knowledge of the more modern methods of Western countries had penetrated the Russian homestead, nor indeed would it have been possible for Russia with her widely different physical and economic conditions to have adopted many of the technical practices which made the Danish or German small holding a success. The result was that by the beginning of the twentieth century the condition of the peasantry was so serious, their discontent repeatedly giving rise to outbreaks of disturbances and outrages, that action ultimately took shape in the agrarian reforms of 1907 to 1916 associated with the name of Stolypin.

The policy of Stolypin involves practically every aspect of the agrarian problem. It set out in the first instance to improve the conditions of peasant farming by substituting compact enclosed holdings or farms for the existing medley of scattered strips in the open field of the village. It also provided the improvement of the system of tenure in open-field villages by helping the peasants to eliminate inconveniences caused by the mixing together of lands belonging to different owners, &c. It included the provision of technical and financial assistance to peasant farmers for the improvement of their holdings and cultivation.¹

The main purpose of the Stolypin legislation was, however, the progressive enclosure of open fields and the substitution of compact peasant holdings, involving 'the complete reorganization of the Russian countryside'.² It did not enforce the destruction of the communal tenure of the land. Rather did it give the right to individuals or to whole villages to withdraw from the commune or *Mir* if they wished. Any villages by a two-thirds majority could decide to substitute hereditary for communal tenure or to enclose their holdings; any individual was free to claim the appropriation to himself of his share of the communal land, but in either case the initiative was left to the peasants themselves. Later on, in 1911, the enclosure of land so appropriated, which at first had been voluntary, was made compulsory, and by the end of 1916 no less than 10·7 per cent. of the total number of

¹ Pavlovsky, *Agricultural Russia*.

² *Ibid.*

peasant families in European Russia had enclosed their holdings and were economically independent of the commune. But for the War the movement, it can hardly be doubted, would have spread much farther.

By the middle of the nineteenth century servile tenure of land had either been abolished or was in the process of disappearing in the smaller countries of western Europe, Belgium, Holland, the Scandinavian countries, and Portugal. Spain had abolished it in 1811, while in the Austro-Hungarian Empire the old rights of landlords had remained until the Revolution of 1848. The growth of the system of *métayage* in Italy based on free contract had largely brought servile tenure to an end. In Roumania the peasants became freeholders in 1864.

The result of the movement which thus eventually embraced the whole of Europe was to establish over the greater part of the continent a system of agriculture based fundamentally upon the small peasant proprietor, a system which was to give European agriculture its distinguishing characteristic in subsequent years in contrast with the agriculture of the great countries of the New World: a system moreover which carried with it tremendous and fateful consequences in the later evolution of farming practice and which was eventually to raise some acute agrarian problems in the latter part of the nineteenth century, when with the growth of industry and commerce and the development of transport, the European peasant agriculture began to feel with increasing severity the competition of agricultural produce imported from overseas. France, conspicuously a country of small proprietors, has gradually increased the numbers of small holdings until in 1892 about 40 per cent. of the farms were less than one hectare in extent, and 46 per cent. between one and ten hectares. In Italy the small cultivating landowners form the majority of the agricultural population in Piedmont, Liguria, Venetia, and the Abruzzi and Molise, and *métayers* in Lombardy, Emilia, Tuscany, Marcia, and Umbria.¹

Small peasant holdings employing little or no hired labour

¹ Irvine, *The Making of Rural Europe*.

cover most of the south and west of Germany, Czechoslovakia, and Poland, while old Serbia, Montenegro, and Bulgaria have only peasant owners. In eastern Germany, Hungary, and lower Austria larger farms have played an important part in the agricultural system, while in Roumania, although large land-owners existed until the recent agrarian reforms, their estates were usually surrounded by numbers of small peasant proprietors whose holdings amounted in aggregate to about half the total area. Great Britain alone stood apart as pre-eminently the country of capitalist farmers, of large farms, and possessing in proportion to the size of its agriculture a very large class of landless hired labourers.

THE PROGRESS OF FARMING

(a) *Earliest Developments.*

At the middle of the eighteenth century agriculture throughout Europe presented, in its technical aspects, very much the same picture as in the Middle Ages. The 'scientific' rotation of crops was practically unknown; artificial fertilizers were unknown; the chemistry of the soil was unknown, indeed the chemical science itself was only in its infancy. Fields exhausted by frequent repetition of the same crops were allowed to be fallow 'as in the time of Moses'. Farm implements were of the most primitive type, the wooden plough was still generally used, the reaping hook was practically the universal harvesting implement, and the corn was threshed either with the flail or by being laid upon the ground and the grain trampled out by horses and oxen. The peasant with his basket suspended by a cord round his neck still walked over the fields throwing handfuls of seed on either side. Drainage was of the rudest, and in sodden ground the crops were poor and thin. There were, it is true, by this time some notable advances in agricultural practice, already springing up particularly in Holland and England, but these as yet had hardly made any impression on European methods as a whole.

Agricultural technique of to-day is a very modern development. The nineteenth century was to revolutionize farm practice

in advanced countries almost out of recognition; the chemist, the biologist, and the agricultural engineer were to introduce technical changes which although common practice by the end of the century were undreamt of at the beginning. And yet one of the most significant features of the progress of the nineteenth century was the unevenness with which advanced technique spread throughout Europe. England with its capitalist farmers and relatively large farms, with its 'spirited landlords' as Arthur Young called them, and with its growing commercial prosperity was the country where new ideas most quickly took root. The peasant of the continental countries, on the other hand, whose way of life and methods of cultivation alike are governed first and foremost by tradition, had throughout the century and long before it shown in matters of agricultural practice a stubborn resistance to change. He clung to tradition with a tenacity which could hardly fail to slow down the pace of technical progress. Coupled with the system of land tenure and the continuation of the small peasant holding, this factor had an important bearing on the development of European agriculture in the nineteenth and beginning of the twentieth century. It is true there are outstanding exceptions to any general picture of backwardness, notably Denmark and considerable parts of Germany and France, but on the other hand, right up to the post-war period, entirely primitive methods of cultivation persisted in the agrarian states of eastern Europe and in Russia.

The early developments of agricultural technique were very largely the outcome of the individual labours of certain English pioneers, Jethro Tull, Lord Townshend, Bakewell, Arthur Young, and Coke of Holkham, names which have become household words in English agriculture. But it is not without interest to observe that in England the economic impulse to raise the standard of agricultural practice came with the development of her industry and commerce, with the growth of her town population, and consequently with the rise in the demand for the products of the farm. It was this that roused agriculture to a new life after centuries of stagnation. The rise

in prices of rural produce in turn attracted capital to the land and became a constant stimulus to the efforts of farmers to increase the productivity of the soil and so to increase the surplus available for feeding the industrial population. For the same reason it is not surprising to find that it was in Holland, the leading commercial and capitalist country of the sixteenth and seventeenth centuries, that many of the outstanding innovations had first been introduced. It was from Holland that England borrowed some of the most important of these improvements, particularly in regard to the scientific rotation of crops. It was from Holland that Germany also adopted the cultivation of clover and many important improvements in stock-farming. Nevertheless, it was in England that the greatest progress took place, and it was largely the same economic conditions which gave rise to it. The 'spirited landlords' seized upon the new ideas in order to increase the productivity of their estates, while the work of patient independent investigators of the type of Tull brought about a permanent change in farming methods. Tull was mainly known for his invention of the corn 'drill' and for his method of drilling wheat and roots in rows. On a visit to France he observed that in the cultivation of vines in the south, frequent ploughings between the parallel rows both cleaned the land and improved the food bed of the plants. He determined to apply the same method to the crops of an English farm. While wheat and turnips were sown broadcast, this treatment of the soil during the growth of the plant could not be followed, but if sown in rows sufficiently wide apart, cultivation between the rows became possible and was found both to keep the crop clean of weeds and improve its growth. The 'main principles which he laid down in his "Horse-Hoeing Husbandry" (1773) proved to be the principles on which was based an agricultural revolution in tillage'.¹

Among the zealous landlords of the eighteenth century who took a lead in the management of their estates was Viscount Townshend. To him was due what was called the Norfolk system of cropping, a four-course rotation of cereals, roots, and

¹ Ernlé, *English Farming Past and Present*.

artificial grasses. Turnips played an important part in this rotation, and earned for Townshend the nickname 'Turnip Townshend'. It was the beginning in England of the scientific rotation of crops. Under the advocacy of Arthur Young, who was the prophet of the agricultural revolution in England rather than a successful practitioner, the Norfolk rotation was made famous and spread to Europe and even America. With the nineteenth century came many adaptations of the four-course rotation to suit local conditions, and the practice spread amongst progressive cultivators in other parts of the world; nevertheless even to-day, the system is much more developed in England, Germany, France, and Italy, and is little used in Russia, the countries of the Danube basin, and Spain.

Tull, Townshend, and Young were, in their different ways, the pioneers of the English agricultural revolution so far as it concerned tillage. The growth of live-stock husbandry, which ultimately became the principal branch of English agriculture, owes the impetus it received in the latter half of the eighteenth and the beginning of the nineteenth centuries to other names no less notable—Bakewell, Coke of Holkham, Somerville, the Duke of Bedford. The introduction of the field cultivation of roots opened up a new possibility in regard to live stock. Hitherto the winter feeding of cattle or sheep had been a difficult problem, but now this difficulty could be met, and the animals could be fattened for market where it had previously been impossible. In turn farmers were able to carry more stock; the stock produced more manure and thus led to the growing of larger crops. Up to the middle of the eighteenth century sheep had been produced mainly for their wool; partly for their skins. Since wool provided the chief trading profit to farmers, mutton as a food was comparatively neglected. Neither with sheep nor cattle were any true standards of shape recognized. Sheep were classified as long-woolled and short-woolled; similarly the qualities for which cattle were valued were their milking capacity or their power for draught; to a much less extent, their qualities as producers of beef. Robert Bakewell (1724-95) sought to discover means of stock-breeding with the object of developing

the more valuable points in the animal.¹ A keen man of business, he tried to produce the animal which would prove the best means of converting foodstuffs into money. He chose good stock and bred within the flock and herd, constantly selecting the qualities desired, paying attention not only to the production of wool from his sheep but to the butcher's requirements, seeking to breed animals which weighed heaviest in the best joints. Although in cattle-breeding he was less successful, he set an example which was quickly taken up by others such as Lord Somerville (1765-1819) and the Duke of Bedford (1765-1802), both of whom devoted much time to animal-breeding on their estates.

A more remarkable figure than either of these, however, was Coke of Holkham (1752-1842), remarkable not merely as a politician and successful farmer, but above all as a landlord. With ceaseless energy he improved the farming under his control. He established more productive crop-rotation, improved the breeds of his live stock, enclosed the open field; developed the forest land till it ultimately yielded a handsome profit from the timber. In his capacity of landlord by giving his tenant long leases on favourable terms and valuable advice he greatly increased the production of his estates. His influence was immense. The Holkham sheep-shearings, started in 1778, became the annual meeting-grounds of farmers from far and near and led, by ocular demonstration and contact between an always increasing number of farmers, to the continuous spread of knowledge. Ultimately his name and methods became known far beyond Great Britain and attracted visitors to Holkham from all parts of the world.

Amongst all these, Arthur Young remains the apostle of the new technique which characterized the beginning of the agricultural revolution in England. Faced on all sides with the stubborn adherence to tradition and antiquated methods amongst the mass of ordinary farmers, Young engaged upon an energetic crusade against poor farming. Large farms, large capital, long leases, the most up-to-date methods of cultivation and

¹ Ernie, *English Farming Past and Present*.

stock-breeding: these were his constant objectives. All obstacles to good farming he sought to remove. Always an enemy of the open-field system, he preached the reclamation of waste, enclosure, individual occupation, capitalist management. But he preached a gospel which could only succeed in a country of powerful landlords, anxious to gain advantage by the increased productivity of their estates, and financially able to put his precepts into practice.

Even with the lead given by these pioneers, progress was at first confined mainly to the estates of the more enterprising landlords. At the beginning of Queen Victoria's reign, British agriculture, except among the best farmers, remained largely unimproved. Moreover, it had suffered severely from the heavy fall in prices which took place between 1813 and 1836. The land was undrained or inadequately drained, little or no machinery was used; heavy wooden ploughs drawn by teams of five or six horses or oxen and primitive harrows were still employed, corn and root crops were seldom drilled and were harvested by hand labour. Perhaps the chief advance had been made in live-stock breeding following the example of Bakewell, but live stock still remained ill fed in the winter and ill housed. With the beginning of the reign, however, British agriculture entered upon an era of improvement unsurpassed in its history. It was an era of prosperity also, continuing to the early seventies, accompanied by a constantly rising level of prices.

In comparison with England, agricultural progress on the Continent, with few exceptions, was very much slower. At the beginning of the period we are considering, French agriculture was still medieval. The fallow system of cultivation was widely prevalent, and the chief alternative still lay between the cruder two-field or more advanced three-field system. In both, arable meadow and pasture were permanently separated. There was little accumulation of capital and therefore in comparison with England less motive for improvement. The internal trade in agricultural produce was restricted and export to foreign countries often prohibited. Very little change in the implements used by the peasant had occurred; the hoe, the long-shafted

spade and the short scythe, or *pique*, were his principal aids in cultivation. Wooden ploughs had hardly begun to be replaced by metal ploughs. It was not until about 1820 that the simple type of threshing machine began to make its appearance particularly in Flanders, while in the south the flail and open-air threshing-floor persisted till a much later date.

One important development was, however, the cultivation of the potato. Although Arthur Young in his visits to France had noticed the potato as early as 1789, in certain districts its cultivation had encountered considerable opposition from the peasants and it was not until the beginning of the nineteenth century that it became firmly established. The spread of potato cultivation had the advantage of adding to the total production of foodstuffs, since it was largely grown on spare pasture land newly opened up, or on the fallows between the corn crops and was thus an important step in the direction of superseding the medieval practice of fallowing.

In spite of the relatively slow progress in France, the influence of England was not without its effect. Duhamel published the first volume of a treatise on the methods of Jethro Tull in 1750. Patullo in his *Essai sur l'Amélioration des Terres* (1758) called attention to the quality of the English sheep. The Marquis de Tubilly suggested that the English practice of importing rams and ewes from abroad should be followed. Gradually as the years passed, technique improved, and in several districts of northern France the rotation of crops—even a many-course rotation—had become established by the middle of the nineteenth century. The Spanish merino sheep were introduced during the reign of Louis XIV, while the year 1825 was said to be the date of the introduction of the first pure-bred Durham shorthorns into France. Sugar beet, perhaps the most important innovation in French agriculture, began to be grown in the early nineteenth century, chiefly on the larger farms in the north of France and in Flanders.

But despite these changes the course of development of French agriculture was very different from that of England. Very different influences were at work. France remained predominantly

an agricultural country, and her agriculture predominantly a peasant system which lacked the impetus given by capitalist landlords. The *petite culture* remained. There were, however, other influences. The school of Physiocrats which held agriculture in special esteem introduced certain elements into French agricultural policy which have persisted to the present day. Not only did they urge the importance of agriculture in relation to other economic activities, and the need of technical improvements, but they deplored the placing of the agricultural worker below the common people of the towns. From the peasant, the nation derived its vitality no less than its military strength. The peasant's way of life was one claiming the respect of the nation. Agriculture was looked upon as 'a source of perpetual creation on which other activities and civilization itself depend'.

These ideas have always found reflection in the agricultural policy of France. Even to-day agriculture in that country is a matter of almost universal and jealous interest. M. Augé-Laribé, the well-known commentator on French agriculture, for example writes:

We may set down one first principle. Industrial development ought not, with us, to be pursued at the expense of agriculture. We have always been an agricultural country. We ought not to attempt to become a country essentially industrial. . . . Our future and our tradition alike demand that we furnish to the world the example of a wise and harmonious balance.¹

German agriculture, like that of France, also derived a new stimulus from the example of England. 'It is common in Germany to date the agricultural as distinguished from the legal reforms of the nineteenth century from the appearance in 1798 of Albrecht Thaer's *Introduction to the Knowledge of English Agriculture*.' Thaer founded the first Prussian school of agriculture in 1804 and subsequently as a professor in Berlin University published his *Principles of Rational Agriculture* in 1809-12. Thaer advocated

deep ploughing and improved implements after the English fashion;

¹ *Les Cahiers du redressement français*; see also Gras, *A History of Agriculture*, and Weulersse, *Le Mouvement Physiocratique en France*.

stall feeding of cattle after the Flemish fashion; careful attention, in suitable localities, to the merino sheep introduced into Eastern Germany at the end of the eighteenth century; extensive growth of the oil seeds, rape, linseed and hemp; a better rotation of crops with clover or grasses on the fallow, and roots as a field crop; finally, and here the school of Thaer went ahead of contemporary England, a close attention to agricultural book-keeping.¹

The rate of progress in Thaer's lifetime was slow, and even amongst the large landowners in eastern Prussia where new ideas were most readily adopted, the impoverishment due to the wars often prevented the expenditure of capital on improvements, just at a time when, in England, the high prices resulting from war-time scarcity were an additional incentive to landowners to lay out capital for such purposes. Among the peasants, progress seems at first to have been very slow. With scattered holdings and the continued subdivision of property, old methods and old implements were retained far into the nineteenth century. Nevertheless, it appears that by 1840 the principle of the scientific rotation of crops was beginning to be understood among the peasants of the east. The cultivation of sugar beet, always thereafter a striking feature of the German agricultural system, developed rapidly in Silesia and Saxony during the thirties, while the potato made considerably greater progress than in France, so that by 1865 its cultivation was almost universally practised.

(b) *Later Developments.*

In 1840 the German chemist Justus Liebig published his *Chemistry in its Application to Agriculture and Physiology*, in which he traced the relation between the nutrition of plants and the composition of the soil. It proved to be a turning-point in the science of crop-production and laid the foundation for the chemical study of the soil, and ultimately for the use of artificial manures to increase its fertility. Through Liebig's influence the study of plant nutrition spread widely through German agricultural colleges and universities. A further discovery in the

¹ Clapham, *Economic Development of France and Germany*.

same field also came from Germany. The fact that leguminous crops such as red clover left the soil richer than it had been before had been known a long time, but it was in 1886 that Hellriegel and Wilfarth first published an explanation of this. They showed that through the agency of micro-organisms in nodular outgrowths on the roots of ordinary leguminous plants, the latter are able to absorb the free nitrogen of the air, and they were thus able to classify plants according to whether they were nitrogen 'assimilating' or nitrogen 'consuming'. Liebig's experiments led up to the work of Sir John Lawes and Sir Henry Gilbert at the Rothamsted Experimental Station in England, where experiments were continued over a period of more than half a century, leading to the accumulation of a body of knowledge upon the principles and practice of plant nutrition which was of incalculable benefit to farmers. 'On their work has been built up the modern fabric of British agriculture.'¹

At the beginning of Queen Victoria's reign the chief fertilizing agent was ordinary farm manure. The artificial fertilizers of to-day, nitrate of soda, guano, superphosphate, kainit, sulphate of ammonia, and basic slag were hardly known or not known at all. But from the middle of the nineteenth century all of these came gradually into abundant use. The need of the soil for the fertilizing elements, nitrogen, phosphorus, and potash, were at first supplied by imports of nitrate of soda from Chile, guano from Peru, and kainit chiefly from the deposits at Stassfurt. The manufacture of superphosphate of lime was begun by Lawes as early as 1843, and with the growth of the gas and coke-oven industries on the one hand and the iron and steel industry on the other, new and abundant sources of nitrogen and phosphorus became available as by-products of these industries in the shape of sulphate of ammonia and basic slag. An enormous trade subsequently developed in these products, and they remained the farmer's main source of artificial fertilizers until after the Great War. The War, however, brought the latest and one of the most important developments in this branch of applied science. For many years chemists had sought to discover

¹ Ernle, *English Farming Past and Present*

means of 'fixing' atmospheric nitrogen so that nitrogenous compounds could be manufactured from the unlimited nitrogen of the air. By the time of the War the fixation of atmospheric nitrogen was an accomplished fact and owing to the demand for the manufacture of explosives extensive factories sprung up in England and on the Continent, particularly in Germany, Norway, and Sweden. With the return of peace these plants were utilized for the manufacture of artificial nitrogenous fertilizers and the farmer found in them a new, unlimited, and exceedingly cheap source of these essential materials. Indeed, amongst the many hardships and misfortunes that the war entailed to agriculture this was perhaps its one valuable and important legacy.

In 1837 one of the greatest needs of the land was drainage. The usual method had been that of throwing the land into ridges, the water being carried off in the intervening furrows. Sometimes trenching was followed, or crude drains were made by filling the bottom of the trench with boughs or stones, and covering over with soil. The first cylindrical clay pipe was produced in 1843 by John Read, an English gardener, and in 1845 a pipe-making machine was invented, and pipe drainage soon came to be recognized as an essential improvement.

Between 1837 and 1870 ploughs of different designs adaptable to different soils were introduced. Harrows, scarifiers, grubbers, cultivators, clod-crushers came into general use. Mowing machines, haymakers, horse-rakes were also introduced, while the use of corn- and seed-drills and land-rollers was considerably extended. Steam first began to be applied to farming operations such as ploughing and cultivating about 1850. The reaper said to have been invented by John Commons as early as 1812, and improved by the Rev. Patrick Bell in 1826, did not come into considerable use until about 1835.

All of these new mechanical appliances spread, though at different rates, amongst European countries. Thaer and others called attention to the English machines, and their advocacy soon led to the study of mechanical aids to farming in Germany and elsewhere. France in 1862 was reported to have over 100,000 threshing machines, though usually of the old-fashioned

type worked by a horse or mule, while drilling machines, horse-hoes, haymaking and reaping machines were also coming into use. But even so it was only on a small proportion of the larger holdings where such machinery was to be found, while thirty years later, according to Professor Clapham, 'the typical products of the application of the nineteenth century metallurgy and engineering to agriculture had not even conquered the larger French holdings'.

The reaper-binder, a machine which not only cut the corn but tied it into sheaves, marked a new era in the application of mechanical aids to agriculture. It was patented in America in 1849, but did not come into general use until after 1870; even then it was apparently more used in Great Britain than in continental Europe. Last of all amongst the harvesting machines came the 'combined harvester-thresher', commonly known as the 'combine', a machine operated by mechanical power which not only cuts the corn but threshes and bags it. This, more than any other machine, revolutionized the practice of harvesting. The combine is said to have originated in America as early as 1828, but in practice it was not developed commercially until after the Great War, nearly a hundred years later. Even to-day the use of the combine is mainly in North America, the Argentine, and Australia; in west and south Europe the relatively small size of the farms precludes its use. Only in Russia, on the large State and collective farms, has the combine so far become at all a significant feature of European agricultural technique. No less than 1,800 of these machines were imported from America into Russia in 1929 and 1930.

We have only to cast our eye back over this sequence of mechanical invention to see the astonishing effect it has had in economizing human effort in farm operations. An acre of wheat yielding approximately 15 bushels, when it was harvested with the scythe or sickle and threshed with the flail, took altogether from 35 to 50 hours of labour. An attachment known as the 'cradle' reduced the time required by about 10 hours. With the reaper-binder and stationary thresher the same work could be accomplished in 4 to 5 hours; with the 'header' and stationary

thresher in 3 to 4 hours, while with the combined harvester-thresher an average of only $\frac{3}{4}$ hour of labour is required.¹

Revolutionary though the mechanical inventions of the nineteenth century were in the possibilities they opened up in farm technique, it was left till the twentieth century for a still more revolutionary invention to enter the field. Between 1850 and 1914 there had been a continuous but certainly slow and restricted progress in application of steam power to the farm. Steam had indeed disappointed the early hopes placed upon it and its use was confined to driving stationary machines for threshing, chaff-cutting, grinding, &c. Occasionally on large farms steam power was used for ploughing but this use was exceptional even in England.

With the invention of the petrol engine a new era began, the era in farm practice to which the word 'mechanization' is usually applied. The agricultural tractor, although used to a far greater extent in North America, gradually spread amongst large cultivators in western Europe and to-day its use is being expanded in Russia as rapidly as the machine can be produced or imported and operators sufficiently skilled to work them can be found. The tractor has contributed more perhaps than any other single mechanical invention to the raising of the productivity of labour on the land, and to increasing the general *tempo* of farm operations. Under the traditional European methods of single furrow ploughing with a pair of horses or team of oxen driven by one man, the area ploughed per day varies from three to less than one acre. With a 50 horse-power tractor one man can plough as much as 20 acres per day. A tractor-drawn seed-drill can sow from 70 to 80 acres compared with 10 to 15 acres with a horse-drawn drill.

Mechanization applied to animal husbandry has not been so spectacular as in grain-production. Nevertheless the invention of the milking machine brought about an important change in large-scale dairying, while the cream-separator and refrigerator have been the outstanding factors in developing the factory production of butter. Mention should also be made of the use

¹ H. R. Tolley, *Bulletin of the Pan-American Union*, 1930.

of stationary mechanical power on the farm, particularly of electricity in Germany, Italy, and France and to some extent in Scandinavia, and of the stationary oil engine in England.

Hardly less important has been the advance in the application of the biological and chemical sciences to agriculture. The study of plant-breeding, animal nutrition, plant and animal diseases and their treatment, have made immense progress, particularly since the beginning of the twentieth century. An example is afforded by the sugar-beet industry in Germany. The production of a type of beet with the highest possible yield of sugar and its proper cultivation called for continuous research, and so successful was this work that between 1870 and 1910 the average yield per ton of beet had been approximately doubled. Even more remarkable has been the work of the plant-breeder in producing new varieties of wheats. In their effect on the world's production of wheat the most important innovations were introduced in overseas countries by the production of early-maturing or drought-resisting varieties suitable to the conditions of countries such as Canada and Australia, but valuable if less spectacular advances have been made in Europe in the production of high-yielding varieties, and varieties with the maximum resistance to disease. In Russia in particular the work of the plant-breeder has resulted in the opening of vast acres to the cultivation of wheat in the semi-arid regions, which with earlier varieties could not be used on account of insufficient rainfall.

A still more recent advance has been made in the scientific treatment of pastures for the purpose of improving their nutritive value, and as a consequence increasing their power of carrying live stock. The discovery of the relatively high protein contents of young grass led to experiments in Germany, Great Britain, and elsewhere in stimulating its growth by the application of nitrogenous fertilizers, and later to a system of pasture management designed both to increase the growth of young grasses and to extend the length of the season during which live stock can be grazed. This in turn has led to the breeding of grasses and clovers which will grow early in spring and late

in autumn, and of grasses and clovers with exceptionally high feeding value.

In the field of animal husbandry no less than in that of crop-production the application of science has brought about sweeping changes. The work of the animal-breeder, for example, coupled with the new knowledge on animal nutrition has succeeded in doubling or even tripling the milk yield of the cow or the egg-laying capacity of the hen. Systematic research into animal diseases has become a part of the work of agricultural colleges and research institutions, while veterinary services and quarantine restrictions have been established in most European countries with the object of controlling disease. The study of insect pests, and of harmful weeds, of the scientific basis of plant nutrition and of soil fertility have opened entirely new fields in the sphere of crop-production.

But the list might be extended almost indefinitely. The past fifty years have been an age of applied science in every department of what is perhaps the most complex industry in the world. The power and influence of analytical methods and methods of precision in relation even to the most simple problems of farm practice have found wider and wider recognition, and the promotion of scientific research in agriculture has in practically all European countries become recognized as the proper and legitimate function of the State.

ECONOMIC DEVELOPMENTS BEFORE THE GREAT WAR

The brief picture of scientific progress given in the last section represents perhaps the possibilities of the application of science to agriculture, rather than its widespread achievement. In agriculture, far more than in urban industry, the progress of new knowledge encounters formidable obstacles, some psychological, some depending on physical or geographical conditions. It is for such reasons that we find in Europe to-day primitive and advanced technique side by side. The sickle and the flail are still to be found in actual use in spite of the progress of the reaper, the binder, and the threshing machine; the wooden single-furrow plough drawn by oxen, in spite of the multi-furrow

plough and the tractor; primitive animal husbandry, in spite of the discoveries in breeding and nutrition. Indeed, if it were desired to gain a more realistic picture of the progress of the last 150 years than by casting the eye back over the pages of agricultural history, it would only be necessary to journey over a well-chosen route through the countries of Europe to see each stage of its technical evolution, over the whole period with which this review is concerned, illustrated in actual living practice.

The impediments to the more rapid advance of agricultural technique are not hard to discern. To the peasant, tradition forms by far the strongest guide in farm practice; what is new is often regarded as a thing not to be welcomed but rather to be distrusted—an undesirable disturbance of the established routine. Resistance to change remains a common characteristic of the less advanced peasants of Europe, remote as they often are from contact with the towns and with technical progress in other fields of economic life. Even in countries like Germany and France, where great attention has been paid to agricultural education through agricultural colleges and other institutions, comparatively little progress was made in the predominantly peasant districts. As late as 1919 a well-known authority in Germany, Professor Wygodzinski, admitted that only the beginning of a rational agriculture was to be seen amongst the peasants, while Sir Robert Greig in 1911 wrote: 'One is inclined to assume that the Germans keep the best machinery in their museums—for a journey of a thousand miles during harvest time showed only three self-binders at work, the rest of the crops being cut with hook and scythe, chiefly, however, upon small farms.'

These criticisms, of course, were not true of the agricultural system of east Prussia, where the large farms and large fields owned by powerful Junker landlords were very favourable to the development of modern technique. But this was exceptional and, notwithstanding the capitalist farming which characterized this region, Germany remains predominantly a peasant land.

More important perhaps than the resistance of the peasants, the small size of the farming unit often precluded the use of advanced machinery which required a certain minimum area for its efficient utilization. Again, the substitution of mechanical for human labour has not been entirely welcome to governments which for social and military reasons have sought to maintain as large a population on the land as possible. In Great Britain alone were these factors of far less importance, while the combination of large farms, capitalist landlords, and, after the Repeal of the Corn Laws, a policy of *laissez-faire* in agriculture, gave her leadership in these matters (apart from the specialized agriculture of Denmark) during the latter part of the nineteenth century.

Nor was this all. The spread of scientific knowledge and mechanical invention found a new and in many ways more promising field in the great countries overseas. Unhampered by tradition or by the problems arising out of a closely settled peasant population, provided with almost limitless virgin lands, the pioneer farmers of the New World eagerly adopted new labour-saving inventions. Indeed, the relative scarcity and costliness of farm labour was one of the chief difficulties of the Canadian and Australian and, later, the United States farmer; the problem of increasing by every means the productivity of labour was one with which he was, and still is, constantly preoccupied. As technical improvements were developed so also were railways and ocean transport services extended and cheapened. The consequences were far-reaching to European agriculture and not only confronted the European farmer with new problems of farm management but European governments with new problems of agrarian policy.

With the growth of manufacturing industry and the increase of the population of the towns, the industrial countries ceased to be agriculturally self-supporting, and from the middle of the nineteenth century Europe began to draw substantial and increasing quantities of foodstuffs from overseas. The transition was almost revolutionary in its results. It ushered in a new era, in which the stability of agriculture, hitherto mainly a matter

of domestic practice, became for the first time dependent upon the maintenance of a steady flow of international trade in agricultural commodities and upon a steady interchange between the products of the factory and the products of the farm. Farming became at once more intimately linked with the welfare of the towns and more susceptible to fluctuations in industrial activity, to recurrent booms and depressions, which played so important a part in the economic history of the last eighty years. At the same time European countries had to face increasing pressure in the shape of competition in agricultural products from the virgin lands overseas. Thus it was that these countries were called upon to mould their agricultural systems not merely to conform to their changing domestic conditions, but to the changing economic conditions in the world as a whole. Nor was competition from overseas the only factor affecting agricultural prices. European farmers had to face price movements due to causes much more remote than the immediate conditions governing supply and demand.

It would go far beyond the scope of this general review to give anything in the nature of a detailed account of the movement of agricultural prices during the latter half of the nineteenth century and beginning of the twentieth. Nevertheless the salient features of these price changes can be given, since they furnish a general index of the economic conditions during a time when agriculture was undergoing exceedingly important technical developments.

Broadly speaking, the years up to the outbreak of the War can be divided into three periods during which agricultural prices were alternately rising, falling, and again rising. These are approximately 1850 to 1873, 1873 to 1896, 1896 to 1914. In the first agriculture was prosperous, particularly in England. Rents rose, holdings were enlarged, drainage operations were extensively carried out. On the Continent agriculture also benefited, although when it is remembered that the period included the Crimean, Austro-Prussian, Franco-Prussian, Danish, and Italian wars it is obvious that farmers were affected both by the higher prices which war-time scarcity occasioned and by actual

destruction due to military operations. Such influences as these contributed to the rise in prices, but conditions affecting the purchasing power of money were also an important cause. The discoveries of gold in Australia and California had largely increased the world's gold-supply. Agriculture and manufacturing industries alike benefited. Between 1867 and 1874 a trade boom carried industrial prices to a level which had not been reached for fifty years and it developed into almost universal inflation of credit and business. Throughout Europe and America it gave an unprecedented impetus to constructional work; railways were developed, the Suez Canal was opened, and the demand for iron and steel machinery and other material for construction drove prices to very high levels. In Germany the payment of the war indemnity by France at the end of the Franco-German War provided such an abundance of capital that new industries sprang up in every direction, even inducing many thousands to leave agriculture for employment in the towns. In England wholesale prices rose between 1846-50 and 1871-5 by 25 per cent. and farm prices by approximately the same amount. It was the Golden Age of British farming in which 'crops reached limits which production has never since exceeded'.¹

But about the year 1873 the upward trend of wholesale prices came to an end and they began to move in the opposite direction. The fall continued with minor ups and downs for about the next twenty-three years. As the time passed depression gradually spread over the industry and agriculture of Europe, indeed through the greater part of the world. This was a period in which events of widely different character and unconnected with each other happened to coincide to bring about a very protracted economic depression. At first, no doubt, the movement was a reaction from the boom of previous years. But very soon other more complex factors asserted themselves, while agriculture in England and north-western Europe also suffered from a succession of cold and wet seasons. Once again monetary influences played an important role. Prior to

¹ Ernle, *English Farming Past and Present*.

1873 the mints of the United States, France, Switzerland, Italy, Belgium, and Greece were open to the free coinage of silver as well as of gold. In other words, these countries had bimetallic currencies while Germany had a silver currency. About that time, however, the position was radically changed by the passing of measures hostile to silver in several European countries. Germany changed from silver to gold, following upon which all the countries mentioned above closed their mints for the free coinage of silver. Italy, the United States, Austria-Hungary, Russia, and Japan were establishing a gold standard and buying gold. The movement resulted in a substantial increase in the demand for gold, the supply became inadequate, and the shortage was accentuated by a falling-off in production at the mines. The result was a monetary contraction in gold-standard countries accompanied by a general fall in the level of prices. In Great Britain wholesale prices fell by approximately 40 per cent. between 1871-5 and 1894-8. But this was not all. Superimposed, as it were, upon the fall in prices due to these more distant causes the continued pressure of supplies, particularly of wheat, from overseas countries added to the difficulties of arable farmers, indeed it was common at the time to attribute the agricultural depression solely to foreign competition. The price of wheat fell to the lowest point for more than a century. Many vivid accounts are recorded of the plight of farmers at the time, of their desperate struggle against forces they could not control, of declining rents, widespread bankruptcies, the abandonment of previously fertile land. It was a fateful epoch for European agriculture, for the economic position of the agricultural communities forced statesmen, at least in the continental importing countries, to listen to the appeals of the peasants and come to their aid. The agricultural policies of a number of countries began to assume a more definitely protective character.

But with the year 1896 the trend of wholesale prices once more changed its direction and they began to move upwards. With minor variations the gradual rise continued till the outbreak of the Great War. Monetary influences were still at work.

The great expansion in the production of gold in South Africa in consequence of technical developments in the process of extraction led to an increase in the world's monetary stock of gold with a consequent effect on the general level of prices throughout gold-standard countries. Agriculture benefited as it had done nearly half a century before, and gradually as the years followed the depression passed away.

Such was the economic background against which were set the technical and political changes affecting European agriculture which must now be referred to.

During the half century ending with the outbreak of the Great War France, in contrast with the other great nations of western Europe, remained predominantly rural in character. Although the development of her industries led, as elsewhere, to a fall in the proportion between her rural and total population, between 1876 and 1911 the percentage had only declined from 67.6 to 55.9.¹ With the improvement of roads and the extension of railways France had begun earlier in the nineteenth century to develop highly specialized agriculture and with the reform of the English tariff in the forties, and the establishment of a quick cross-channel steam service, the British market was opened to the French agricultural luxury produce, which later in the century affected the whole agriculture of France. Her early vegetables, asparagus, mushrooms, prunes, strawberries, pears, and other fruit soon became known in western Europe. The dairy industry also rapidly expanded, while the potato at last overcame the antipathies of the peasants and French production expanded between 1887 and 1911 by no less than two-thirds. But wheat remained the basic crop of the French agricultural system, and it was wheat more than any other product of the farm that felt the pressure due to the invasion of overseas supplies during the prolonged depression of the seventies and eighties. It was wheat therefore that gave an initial impetus to the upward movement in agricultural tariffs not only in France but throughout the chief wheat-importing

¹ This figure relates to the rural population as a whole and includes other rural occupations as well as agriculture.

countries of western Europe—England alone excepted. But the competition of American wheat meant more than merely the temporary lowering of prices in European markets, though its full implications were as yet imperfectly understood. It was the beginning of the challenge offered by the *extensive* agricultural system of the sparsely populated countries of the New World, to the *intensive* system followed in the closely settled countries of the old: a challenge which was to become increasingly formidable in the following decades as the technique of extensive crop-production developed, and as both costs of production in the New World and cost of transport to European markets were progressively lowered. European statesmen were now confronted not merely with the plight of farmers due to long years of falling prices, but to a new factor in the situation which threatened the very foundations of peasant agriculture. It was a threat, moreover, which was all the more formidable because it rested—at least to a very considerable degree—on the intrinsic superiority of the extensive system. The big farms and big fields of the new countries with their new and ever improving machines, with their great stretches of virgin land, could produce crops at a cost against which the peasant with his small holding and his comparatively primitive implements could not compete.

And yet, outside Great Britain, what European statesman was prepared to see the peasant system disrupted and the peasant driven from the land? Was not the peasant a national asset, quite apart from his function as a producer of food? Was he not a source of national vitality and of military strength, infusing a constant stream of fresh blood into the population of the towns? Was it not in the long run desirable to maintain a harmonious balance between urban and rural occupations rather than to permit a lopsided growth of the towns at the expense of the country, and endanger the nation's food-supply in time of war? Thus social, political, and military considerations added their influence to the economic factors in shaping the course of agricultural history in the latter part of the nineteenth century and the beginning of the twentieth, particularly

in the semi-industrialized grain-importing countries of continental Europe.

Speaking broadly, the preservation of the peasantry has been the main preoccupation of agricultural statesmanship in these countries during the last fifty years, and the chief instrument by which results were achieved was tariffs. Under the tariff of 1881 France imposed a duty of 60 centimes per 100 kilos on wheat. It was raised in 1885 to 3 francs, in 1887 to 5 francs, and in 1897 to 7 francs. But the depression soon caused the extension of tariffs to other imported foodstuffs. Rye, barley, and oats were made subject to duty in 1885 for the first time since 1861. The wine duties were raised, and in 1892 eggs, butter, dried fruit, flax, silk, and hemp were all taxed at higher rates. The duty on butter was again raised in 1898, the wine duties in 1899, and the duties on cattle and meat in 1903. By the outbreak of the Great War French agriculture may be said to have been to all intents and purposes completely enclosed behind a system of substantial tariff walls. Although the War necessitated a temporary relaxation of the restrictions on imports, with the return of peace the upward tariff movement was resumed with added vigour, so much so that in the case of wheat—to take only one example—the tariff had been raised by stages until at the end of 1930 it stood at no less than 80 francs per 100 kilos.

Although Germany up to the middle of the nineteenth century, on balance, was an exporter of foodstuffs, industrialization proceeded much faster than in France, and by the sixties she ceased to be self-supporting, and became increasingly dependent on imports from abroad. But Germany, no less than other countries, suffered from the great fall in prices after 1873. To a smaller extent a wheat-growing and wheat-consuming country than France, her agriculture nevertheless felt the consequence of the low grain-prices which imports to Europe from overseas helped to bring about. Her geographical position, too, exposed her markets to the constant pressure of foodstuffs from Russia, the plains of Hungary, and from Roumania, a pressure which was intensified by the development of the railway system

of eastern Europe. In 1877 Germany imported nearly two million tons of rye, barley, and oats from Russia, till then by far the largest importation in a single year. Falling prices, industrial depression, heavy imports, led Germany like France to adopt an increased measure of protection. In 1879 a new tariff was introduced, wheat, rye, and oats being made subject to a duty of 10 marks per metric ton; barley, maize, and other grains to 5 marks. By 1890 all these duties had been raised to much higher levels, wheat and rye to 50 marks per metric ton, oats to 40 marks, maize to 20 marks. In short, Germany along with other continental countries was driven to agricultural protection if she were to preserve her peasant agricultural system.

This question became the centre of public discussion during the period 1880 to 1910, and there remained a consensus of opinion amongst agricultural authorities in Germany that protection saved German agriculture from disaster. But it did not save the peasants from hardship and it did not prevent the continued fall in prices of the middle nineties. According to Von der Goltz, wheat prices in the decade 1891-1900 were about 27 per cent. below those of the decade 1871-80 and the price of rye about 12 per cent. below, notwithstanding the increase of duties referred to above. Nevertheless Professor Sering, one of the leading German authorities on agricultural economics, declared in 1913: 'We in Germany must thank the duties on corn, and them alone, that wide districts of our land which, in the face of world prices, could no longer be kept in cultivation, have remained under the plough and that tens of thousands of agricultural families have been saved from ruin.'¹

But German policy had not been content merely with preserving the peasant element in its agricultural system. It had actively sought to increase it. A policy of land settlement had been followed, aided by special legislation in 1886, 1890, and 1891, which up to the end of 1910 led to the creation of some

¹ *Verhandlungen des Landesökonomie-Collegiums*, 1913. Quoted from the Memorandum on Germany by Sir Wm. Ashley, *Report of the Agricultural Tribunal of Investigation*, 1924.

32,000 new holdings occupying a little over one million acres. After the War the policy was renewed and the National Settlement Law of 1919 gave wide powers to public utility companies in the several States for the acquisition of land—in certain circumstances by compulsion—for the purpose of providing small holdings. Such was the general trend of the German agrarian policy, and these illustrations are enough to indicate what was the main preoccupation of statesmen in regard to the development of their agricultural system. Although great attention was also devoted to the building up of the sugar-beet industry, to the development of agricultural education, and to the promotion of agricultural co-operation—to which reference is made below—nevertheless ‘the quite conscious object of the German statesman for the last forty years has been to keep the peasants on the land, and to keep the country as self-sufficing as may be in respect of food’.¹

The commercial policy of Italy, from the formation of the kingdom, had been liberal and tending towards freedom. But the agricultural depression and the growing national expenditure led to a general upward revision of duties in 1877 and ten years later to a new tariff under which wheat, flour, sugar, coffee, and cotton, together with a number of minor articles, received higher duties. So also in Spain—for long a stronghold of protectionist ideas. In 1890 new agricultural duties were imposed, and subsequent revision of tariffs took place in 1892, 1896, and 1912. Portugal by a series of tariffs of 1861, 1871, 1882, and 1885 became probably the most highly priced country in Europe. In Switzerland foodstuffs were heavily taxed in 1906. In short, agricultural protection had, by the beginning of the twentieth century, become very firmly established.

In the grain-exporting regions of eastern Europe the position was different. Here tariff protection was of little avail to countries dependent on the prices ruling in foreign markets. But the depression of the eighties and nineties had hardly less

¹ Agricultural Tribunal of Investigation, Memorandum on Germany by Sir Wm. Ashley, 1924.

important consequences than in the importing countries of western Europe. Serious and far-reaching as the effect of low prices was over the whole of the grain-growing regions, one consequence which emerged was by no means unimportant in the future agrarian developments of these countries. It was the relative weakness in the face of falling prices of the large estates dependent for a considerable proportion of the costs of cultivation upon hired labour, and the relative resistance to depression offered by small peasant holdings almost wholly on the labour of the occupying family. Although all farm incomes declined, the proportion of the peasants' income which remained after deducting his costs was greater than the proportion which remained to the capitalist landlord. While the capitalist landlord might be faced with actual loss and therefore with no further inducement to cultivate his land, the peasant still possessed his home and the food necessary for his family; his loss was, however, a decline in value of the produce sold off the holding in order to meet his external payments. This decline in turn provided an inducement to the peasant to plough up any available land and so increase his 'exportable surplus'. Thus the effect of the depression was a tendency to a decline of production on the capitalist estates, but a tendency to expand production in the peasant holdings. This occurred in Russia, and a considerable extension of peasant leases in the agricultural provinces of Russia took place, which resulted in a general increase of land held by peasants.

In contrast with these developments, there is one branch of European agriculture which has never ceased to excite the admiration and inquisitiveness of the rest of the world, namely, the system of farming carried on in Denmark. How this small country—half the size of Scotland—with its small farming units, succeeded in weathering the depression of the eighties and nineties; how gradually, by the application of patience, skill, labour, and technical knowledge, she managed to adapt her agricultural system to the changing world conditions without resort to any measures of drastic protection, and by specializing in certain lines of production not only to maintain but to

expand her export trade in face of overseas competition, has continually been an object of interest and study.

Up to about 1870 Danish exports were 'cattle products' and corn in the proportion of about 2 to 3. But from that date onwards cattle products gradually increased while the corn fell off. This began before the pressure of American grain on European markets made itself seriously felt, although the transition was certainly stimulated by the great fall in wheat prices during the eighties and early nineties. The fall in grain prices in turn emphasized the relative profitability of butter-making and therefore gave added impetus to the development of dairy farming which was already taking place. But the essence of Danish policy at the time was not to oppose or struggle against the economic trends in world agricultural production, but rather to bring her economy into line with those trends and to adapt her farming system accordingly. Thus she established no protective duties on imported agricultural produce, with the exception—at a later date—of a duty on cheese.

Danish agriculture since the Napoleonic Wars had been largely dependent on the sale of its produce abroad, and when other markets were closed to her by protective tariffs it was of great importance that England remained open. Moreover, as the rapid growth of the industrial population in Great Britain took place it became more profitable for the British dairy farmers to sell the produce of their cows as liquid milk rather than as butter or cheese. Gradually, therefore, Denmark concentrated on the British butter-market, and in 1903 this country took 95 per cent. of Danish exports. Nor was this all. Denmark by stages came to adopt the agricultural system of arable farming for which she has become conspicuous, and, as butter produced butter-milk, dairying brought with it pig-keeping and the production of bacon, the butter-milk being fed to the pigs. The interweaving of dairy and pig farming became in time a means of great economy in farm practice and ultimately built up an export trade in which pig products and dairy products almost equally shared.

But even more than to her specialized farming system,

Denmark owed her success to the unique system of co-operation which she developed and which became famous throughout the world. By its means she managed to combine the advantages of small-scale production with large-scale marketing and distribution. By its means also the farmer was enabled to concentrate the whole of his energies on farming, leaving salesmanship to the experts of the central co-operative selling agencies. This is referred to further in the following section.

During the whole of the period in which these events were occurring in continental Europe, Great Britain adhered to her policy of free imports. The depression gradually deepened until in 1896 the plight of farmers became as serious as it had been in the days of William Cobbett some seventy years before. Rents fell, land went out of cultivation, bankruptcies increased, and production, particularly of grain crops, fell off. The contrast in policy between Great Britain and the other food-importing countries of western Europe could hardly have been sharper. Great Britain was building up her industrial and commercial strength largely with the aid of cheap food imported from abroad. She was not to be easily diverted from this course, not even by the loud demands for agricultural protection which were raised from all parts of the country.

Severe though the depression was, however, there is little evidence that the hardships suffered by the rural community as a whole during the time of falling prices were greater than in the protected countries. The corn-growing districts were the ones to suffer most. The very heavy clays which were hardest and most costly to work, and the lightest land which had been artificially brought into a state of higher cultivation were the first to decline, while in the districts where the land was rich and fertile and easy to work the general deterioration was less severe.

But the results on the character of English farming were far-reaching and permanent. With the fall in prices in the early seventies began the steady decline in the area of land under the plough which, with the brief interval during the War, has continued ever since. The land under corn crops in England

and Wales declined from approximately 8,244,000 acres in 1871 to approximately 5,823,000 acres in 1911. But this did not mean an equivalent reduction in the agricultural output. There was a compensatory movement in the expansion of the livestock industry, particularly of cattle, the numbers of which in England and Wales rose from 4,268,000 in 1871 to 5,914,000 in 1911. Thus began the transition from arable to pasture farming which became the most notable technical change in English farming of the last sixty years. It was a movement brought about by the pressure of economic conditions and against the conservative instincts of most British farmers. It was a movement which was looked upon at the time and long after, by agricultural writers and others, with regret, and as an indication of the general decline of British farming. In reality, however, it was an adaptation to world conditions which resulted in but little decline in the productivity of the land, and helped to establish the industry on a much firmer economic foundation when the general trend of prices once more resumed its upward course.

AGRICULTURAL CO-OPERATION

No account, however brief, of the development of European agriculture during the nineteenth century would be complete without reference to the great movement which spread over the whole of western and central Europe and introduced a type of organization which ultimately became the chief means of strengthening the farmer's position, both financially and from the point of view of business efficiency. The literature of agricultural co-operation is immense; it has occupied for years the first place in the discussions relating to the economic organization of agriculture throughout Europe.

Generally speaking, co-operation has developed along two main lines: one aimed at the collective buying and selling of farm requisites and farm products, and the other at the collective organization of agricultural credit. Leadership in the former belonged to Denmark; in the latter to Germany. But it also included co-operative producing societies such as bacon

factories and dairy societies, which were widely established not only in Denmark and Germany but in Ireland, France, Switzerland, Holland, Belgium, and several other countries.

A general characteristic of the European co-operative movement is that both in its origin and development there has been a certain idealism which gave it a special vitality. Thus in Denmark the movement was associated with a moral and educational revival accompanied by the development of the People's High Schools; in Belgium the co-operative organization had a basis of religion and social culture, whilst the birth of the co-operative credit movement in Germany was largely a question of the social regeneration of the rural population. In most cases it started with the clubbing together of a small number of villagers to carry out a common object, sometimes under the leadership of pioneers as in the case of the co-operative credit movement in Germany, which will always be associated with the names of Friedrich Wilhelm Raiffeisen and Schulze-Delitzsch. But although it has been built up upon such a small foundation as this, it has gradually assumed a different character through the consolidation of the small units with large federated organizations and the ultimate centralization of control.

In Denmark the first successful co-operative dairy society was established in 1882, not long after the invention of the cream-separator, which made the formation of large-scale dairies possible. It was followed by very rapid growth until by the end of that decade some 600 co-operative concerns of the kind had come into being. According to Mr. Harold Faber, there were in 1908 more than 70,000 farms in the possession of peasants of whom nearly 90 per cent were members of a co-operative dairy society. These farms occupied more than 70 per cent, of the cultivated area.¹ To Denmark also belonged the credit of laying the foundation of co-operative marketing, a system which has been imitated almost throughout the world. By degrees she built up an organization depending not merely upon co-operation between the individual farmers but upon co-operation between local co-operative societies. The small

¹ H. Faber, *Co-operation in Danish Agriculture*, London, 1908.

local units were federated in a central organization which then assumed responsibility for the control of the exports. Organizations of this type were usually concerned with the marketing of one commodity or commodities closely allied to one another, and in time came to adopt a system under which members of co-operative societies bound themselves by contract to supply the whole of their output to their local society for a number of years. On this basis, not only were the societies assured of a constant flow of farm produce, which added greatly to the efficiency of the co-operative organization, but the problem of financing the production and marketing of butter, bacon, and other farm products was greatly facilitated, since the certainty of supplies enabled the societies to borrow from the banks without difficulty. In turn, the co-operative organization was able to pool and to grade the produce of the farms, to study their markets in ways that were impossible to individual farmers acting independently of one another. Like the marketing societies, co-operative societies for the purchase of farm requisites sprang up all over western Europe. Largely they were developed on the so-called 'Rochdale' principles, the foods being delivered to the members at certain fixed prices and the 'profits' being distributed amongst them as a dividend in proportion to the amount of their purchases. In Germany, Denmark, and Switzerland, where co-operative organizations became highly developed, these requisite societies were in turn federated to central wholesale societies on the same general plan as in the British distributive movement. The pioneer society in Germany was founded at Insterburg in 1871, and the first permanent federation of consumers' stores in Denmark was started in 1884 with the formation of the 'Co-operative Wholesale Society of Denmark' among the societies on the island of Zealand. In nearly every country, with the exception of England, the growth of the co-operative movement was remarkably rapid. The number of 'Syndicates Agricoles' in France, to take a leading example, rose from 39 in 1885 to 4,948 in 1910, and to 6,667 in 1914. In 1924 Germany had no less than 38,000 agricultural societies including rural banks, whilst Denmark in 1920 had more than 5,000, of which,

however, 1,600 were consumers' societies, 1,100 creameries, and 40 bacon factories, as well as central associations and export associations. Co-operation, in short, became the predominant form of agricultural organization over the whole of western and central Europe.

The other outstanding co-operative development was in the field of agricultural credit. It owed its origin mainly to the pioneer work carried out in Germany. How a movement starting with the smallest village society, often organized and managed by the poorest classes of the rural population, grew into a banking business of enormous proportions has not unnaturally excited the admiration of the whole world. Of this system the late Sir Horace Plunkett wrote that it 'performs an apparent miracle. A body of very poor persons . . . manages to create a new basis of security which has been somewhat grandiloquently and yet truthfully called the capitalizing of honesty and industry.'¹ At the outset, one of Raiffeisen's main objects was to rescue the peasants from the village usurer, and the organization he advocated was no more than a group of peasants who united in a society with unlimited liability into which they paid their savings and out of which they lent money to each other on their personal security. The society had no share capital, and the loan fund was provided solely out of the contributions of the local peasants themselves or sometimes by the other inhabitants of the village. The society covering a small area—usually confined to a single village—having a small number of members, with unlimited liability and with no share capital, became the universal pattern for the Raiffeisen rural banks from 1873 onwards, the essential strength of such societies being due to the fact that all the members knew each other and were therefore in a good position to see that the individual borrower fulfilled his obligations. In 1876 Raiffeisen founded a central bank at Neuwied, the share capital of which was mostly held by the individual societies, and in 1877 a general union of the Raiffeisen banks was inaugurated for the whole of Germany.

The Schulze-Delitzsch banks differed from the Raiffeisen

¹ Plunkett, *The Rural Problem in the United States*.

banks mainly in being largely engaged in urban business. In 1902, however, a little over a quarter of its membership was agricultural. The principle of unlimited liability was also adopted but not so rigidly adhered to as in the case of the Raiffeisen societies and in 1911 about 40 per cent had adopted limited liability.

All these societies existed primarily for making short-term loans to their members, though in practice they often added other functions such as the purchase and sale of farmer's requisites or produce. Another type of co-operative organization, the *Landschaften*, provided long-term capital secured upon agricultural land. In this case the *Landschaft* made loans to its members secured by a mortgage upon the property, but the loans were made not in cash but in bonds, the bonds being based upon the estates mortgaged in its favour, the borrower having power to sell the bonds on the open market, where they always commanded a good price and were usually but little inferior to Government stock. Although other long-term credit institutions existed in Germany, the *Landschaften* were the main rural type, and the total amount of rural credit granted through them was stated in 1902 to be about three-quarters of the whole.

Thus Germany built up a system of rural credit which gained an almost unrivalled reputation for efficiency, being operated with a minimum of cost and a minimum of failures. Gradually it spread throughout the country, until in 1925 she possessed no less than 19,000 rural banks. From Germany the movement extended to other countries until rural co-operative credit societies on the German model were to be found all over western and central Europe. It remains perhaps the most remarkable of all achievements in the field of rural organization.

POST-WAR DEVELOPMENTS

(a) *Agrarian Changes.*

In the post-War years the great agrarian changes which took place affected chiefly eastern Europe. They were at least as important and drastic (in some respects more drastic) as any that had previously occurred in the countries of the west. Of

these, the revolutionary reforms in Russia were by far the most significant. Here change followed change in rapid succession. Here a great country not merely revolutionized the system of land tenure but, what was agriculturally of much greater importance, broke completely with the European tradition of peasant farming. Although possessing the largest peasant population of any European country, Russia sought not only to uproot the system which had been slowly evolving since the Stolypin reforms, but to substitute one which, though in some technical respects inspired by the example of large-scale production in the United States, in reality was a system totally new and untried.

The final aims of the Soviet agricultural policy only began to be realized after passing through certain intermediate stages. In their struggles for power during the first years of the Revolution, the need for the support of the peasantry led the Bolshevik leaders to accept an agricultural policy not in accord with the theoretical principles of the party. During the early days of the Communist Revolution of October 1917 the Soviet Government issued its first decree abolishing private property in land. This was followed by the 'law on the socialization of land' in February 1918, the chief object of which was to equalize the use of land. The abolition of all private ownership of land was reasserted and the land was transferred to 'all the working people' for their use; every citizen in principle acquired the right to use the land and this principle applied not only to the confiscated estates but to the land of the peasants themselves. It was a stage in the agrarian policy which resulted in a greater equalization of land-holding, but not in a reduction in the number of small and inefficient peasant farmers; on the contrary, their relative proportion increased.

This policy had been, in reality, a concession to the peasantry. Towards the end of 1918, however, the Soviet Government made its first attempt to apply its own principles and to create large-scale farming on socialistic lines. By a decree in February 1919 the socialist organization was further developed and under it individualist forms of land-utilization were to be replaced by

collective forms. All land was proclaimed to be 'a single state fund'. It was now that the creation of State and of collective farms and the initiation of other forms of communal or associated farming took place. But the peasants were not inclined towards collective organizations and the movement encountered formidable opposition. More important, the State and collective farms failed to produce the surplus beyond their own internal needs which was expected of them. The Government, unable to obtain from this source the required supplies, turned to the individual peasants, adopting the method of confiscating what the latter did not require for their own consumption. This policy of confiscation, however, depriving the peasant as it did of individual initiative, quickly led to an enormous decline in the output of food, so much so that after a comparatively short period it brought that phase of the agricultural revolution to an end.

The next phase was the introduction, in the spring of 1921, of the more liberal 'New Economic Policy', a policy which first of all involved the abandonment of confiscation of peasants' surpluses and its replacement by an agricultural tax in kind, which took a certain percentage of the peasants' output, leaving them free to dispose of the remainder. Secondly, the Land Code of 1922, while proclaiming the principle of land nationalization, sought to remove the uncertainties of land tenure and to bring to an end (at least for the time being) further agrarian changes. It was a stabilizing measure. It gave equal standing to all previously existing forms of land tenure, whether in communes, in individual holdings in open fields, or in enclosed holdings. The Land Code also permitted the leasing of the land subject to certain conditions, and in exceptional cases allowed the use of hired labour.

The New Economic Policy was successful to the extent that the Russian peasantry now made a great effort to recover the pre-revolutionary standard of production, and during the five years 1922-6 the peasant crop area actually increased from the very low level reached in the former year by approximately 50 per cent. It led, however, to more than this. 'The general

recovery of agricultural production resulted in a substantial differentiation of the peasantry. The process of differentiation was naturally to be expected under conditions of wider latitude for individual initiative established by the N.E.P. The process of equalization of land-holdings and of agricultural capital which took place during the first years of the Revolution could not eliminate all the differences in economic strength between peasant families. Still less could there be equalization in managerial capacities, thrift, &c., between different farmers. Given the opportunity, the process of selection began at once to work.¹

This differentiation resulted in the gradual emergence of the more well-to-do peasant, or *kulak*. For a few years the situation continued, but the economic strength of the *kulaks* led in turn to a revival of the influence of the anti-*kulak* group in the communist party who insisted that this growing strength must be limited. In the meantime a number of measures more or less successful were introduced with the object of increasing agricultural output.

The turning-point came, however, in the winter of 1927-8, when the Government were experiencing great difficulty in collecting foodstuffs from the peasants. During the next few months the N.E.P. in agriculture was practically abolished and the Government adopted a number of measures directed against the *kulaks*, particularly in regard to the use of hired labour, and finally in the winter of 1929-30 a policy of expropriation of the *kulaks* and their 'liquidation as a class' was set in motion. It was a policy as drastic—perhaps the most drastic—as any in the history of agriculture.

At the same time the Government returned to more strictly socialistic aims in the organization of agriculture. During the period of the New Economic Policy the process of establishing collective farms suffered a considerable set-back; but from 1927 onwards the Government once more attacked the problem with renewed vigour and with new resources in money, credit, and machinery. Between 1927 and the autumn of 1929 the number

¹ *Agricultural Russia and the Wheat Problem*, by Vladimir Timoshenko, 1932.

of these farms rose from about 15,000 to over 67,000, containing in the latter year about 7.4 per cent of all peasant households.

Concurrently with the development of collectivization the Government adopted the 'Five Year Plan' applied to agriculture, aiming at a definite schedule of expansion. Finding it impossible however, to rely on the collectives as the principal source of supply to the market, they were still obliged to look mainly to the peasant farms. In circumstances such as these it is little to be wondered at that the high *tempo* at which it was sought to prosecute the dual policy of expansion of collectivization and liquidation of the *kulaks* should have led to a stage of disastrous confusion, ultimately recognized officially in the famous article of Stalin, 'Giddiness from Success', published on the 2nd March 1932. So drastic indeed had been the coercive measures against the peasantry that finally an outburst of resentment and resistance led to the infliction of a serious injury on Russian agriculture. Faced with wholesale confiscation the *kulaks* slaughtered their live stock, while the less well-to-do peasants apparently often preferred to follow their example rather than to accept the low valuation on bringing them into the collectives. Moreover, much live stock was said to have perished in the new collectives on account of the conditions under which it was kept. The shortage of live stock including draught animals resulting largely from this cause subsequently became one of the most pronounced obstacles in the development of the agricultural part of the Five Year Plan, and contributed very greatly to the shortage of food from which the Russian people suffered.

From March of 1930 onwards, however, the Government pursued the policy of collectivization with a greatly reduced *tempo*, and many of the drastic coercive measures were abandoned. The reversal of policy thus brought about was immediately followed by a heavy outflow of peasants from the collective farms; indeed the official statistics showed that the spring of that year saw the severest set-back to the progress of collectivization since its inception. The voluntary principle in the formation of collectives was once more proclaimed and

thereafter the Government policy concentrated more on the consolidation of the existing farms and the provision of equipment.

Side by side with the above developments there had been also an expansion of State farming. The creation of State farms—the other great limb of the corporate agricultural organization at which the policy aimed—had been taking place since the Revolution, and in 1928 3,318 such farms were stated to exist. In that year, however, the Government embarked upon a much more ambitious programme of State farming in the region east of the Volga, in the north of Caucasia, in western Siberia, and in the steppe region of central Asia. All this land was either unoccupied or sparsely populated and is mostly to be described as semi-arid. Grain ‘factories’ of unprecedented size were created, as is shown by the fact that in 1931 the ‘Grain Trust’ had 121 farms of the average size of 140,000 acres. The organization and the equipment of these farms became part of the Five Year Plan. The task was a prodigious one and, in spite of the unquestionably great progress which was made, the formidable technical difficulties prevented the State farms from producing up to plan or being able to cultivate at costs envisaged by the plan. It was here that the spectacular adoption of ‘mechanized’ farming took place, but the lack of draught power and of mechanics competent to manage the new machines not unnaturally were the cause of extensive wastage and high costs.

At the sixteenth Conference of the Communist Party in 1929 a programme was approved, more than doubling the contemplated area of State farms as set forth in the plan of the previous year, an ultimate expansion being thus proposed to 25 or 30 million acres at the end of the five-year period. By 1931 the original programme to organize State grain-farms to cover 10 million acres had been more than completed, and the far more ambitious plan of the following year was already being put into execution.

Thus Russia, the most extensive agricultural country in Europe, embarked upon the greatest, the most imaginative, the most dangerous, the most difficult agricultural experiment

in the world. To attempt to pass judgement on its ultimate possibilities at this early stage would be idle and unprofitable. No country, however efficient, could carry through reforms so vast without mistakes, without difficulties, without obstruction, without maladjustments, and without temporary set-backs. Time alone can show whether the formidable obstacles still encountered can be overcome, and what the final state will be.

The second agrarian development to be mentioned concerns the countries of eastern and southern Europe, in all of which there occurred after the War a common movement towards the more equal distribution of the land. The movement had its roots far back in the history of the people occupying these territories, and was the culmination of the peasants' struggle to free themselves from personal bondage or from onerous conditions of land tenure. Agrarian reforms were introduced in Roumania, Czechoslovakia, Austria, Hungary, Poland, Latvia, Lithuania, Yugoslavia, and Bulgaria, and the most important legislation was passed in the year 1919. The laws voted by the legislature of Roumania, Poland, and Czechoslovakia probably attracted the most attention. Two Roumanian laws set forth that in order to extend the area of rural peasant property, certain types of land were to be expropriated, while in Bessarabia the peasant cultivators were declared to be proprietors of their existing holdings. In Czechoslovakia the law purported simply to carry out a reform of real property by expropriating all properties exceeding a certain area, while the Polish laws set out that the agrarian system was to be based on agricultural holdings held as private property of different types and sizes designed to serve the needs of intensive cultivation. All these laws designated certain classes of land to be taken. The Roumanian law for example specified:

- (1) Cultivable lands of the crown domain, rural banks, and public and private corporations and institutions.
- (2) Properties belonging to aliens.
- (3) Rural estates belonging to absentees, and two million hectares of cultivable land in private property.

In addition, in order to provide common grazings for mountain

villages, a sufficient area of mountain land was also declared to be expropriated.¹ The Roumanian law also laid down the principle of compensation to dispossessed landowners, a matter which in Poland and Czechoslovakia was left to be settled by subsequent legislation. Provision was also made for the new holders to purchase their land with the help of long-term loans.

The effect of these agrarian reforms was to increase the proportion of small holdings and decrease that of the larger estates. Particularly was this the case in Roumania, where, prior to the War, the country was divided about equally between large estates owned by a small number of landlords, and holdings of some 25 acres or under held by the peasants. Comparatively few medium-sized farms of the type so common in England existed. After the reforms Roumania became a country of small landed properties, the total area occupied by holdings of more than 250 acres amounting only to just over 10 per cent. of the agricultural land privately held, as compared with nearly 50 per cent. before the War. Elsewhere the revolution in the size of holdings was not so great. The large estate was not so prominent, for example, in Yugoslavia, Bulgaria, and Poland as it was in Roumania and Hungary, and the latter country remained content with a comparatively moderate agrarian policy which resulted in the retention of a considerable proportion of large and medium-sized farms.

Such changes as are here briefly summarized required time for their completion, for the formation of local peasant organizations, and for their federation. In the meantime so drastic a change could not have done otherwise than interfere with the productivity of the land; indeed the Roumanian Minister of Agriculture in 1922 admitted that for a decade they would have the effect of a reduction in the agricultural output of the country. Far more important, however, they required favourable economic conditions. The countries of the Danube basin were pre-eminently a grain-growing region, and they were countries producing for export and unable, like the industrial countries

¹ See *International Review of Agricultural Economics*, Rome, vol. i, 1923.

of western Europe, to protect their peasant agriculture from the effect of low prices, due to the pressure of overseas grain upon the European grain-markets. Unfortunately economic conditions remained unfavourable. The low prices of grain continued to add to the economic difficulties of the newly settled small holders, and when with the economic depression after 1929 these prices slumped to lower levels than in any year since the beginning of the twentieth century, the struggle of the Danubian peasant to maintain his newly won status on the land became (outside Russia) perhaps the most bitter and painful episode of the European agricultural depression.

The agrarian changes in Italy are of a different kind. Restriction on immigration has already been referred to as a factor in the post-War agricultural situation tending to raise new problems and to add to the economic maladjustments from which European agriculture had suffered. In no country has this had more far-reaching effects than in Italy. Since the Fascist Revolution in 1922 she has pursued an agrarian policy without doubt one of the most vigorous of Europe. Before the War the number of Italian emigrants to foreign countries amounted to as much as 300,000 in a year, a large proportion of these going to the United States of America. But with the new immigration laws of the United States and other countries the foreign outlet for her surplus population was reduced to a mere fraction of its former size and she was forced to find means of expansion at home.

In 1925 Italy initiated the 'battle of the grain', an energetic campaign to extend her wheat production, and in 1928 a comprehensive scheme of agrarian improvement (*bonificazione integrale*) including extensive schemes of land reclamation and settlement. An expenditure of no less than seven milliard lire was proposed for this vast work, to be spread over a period of fourteen years. It included drainage, irrigation, road construction, mountain improvement and 'terracing', the reclamation of the Roman Campagna, and the provision and equipment of a great number of small holdings. No one who passed through Italy in the tenth year of the Fascist régime could fail to notice

the changed appearance of the country-side as a result of this organized effort. Where formerly, as in the great stretches between Pisa and Rome, many miles of derelict heath or marsh were to be seen, now the country was dotted with new farm buildings, drained, divided by roads, and often to be seen under tractor cultivation.

In the marshes north of the Tiber some 20,000 acres were reclaimed and by 1932 had reached the crop-bearing stage. A vast drainage scheme had been executed, designed not only to carry off to the sea land-waters coming off the hills, but including a system of low-water canals into which the water from the low-lying lands is pumped. Maize, oats, barley, and fodder crops were in 1932 being cultivated on this land, only six years earlier a marsh where semi-wild buffaloes were the only live stock. Vines were also to be seen, but still more important the development of dairy farming, with milk for the supply of Rome as its chief product. In this area the population in 1925 was but 50 people; by 1932 it had risen to 4,000 with a prospect of its being doubled by the time the scheme is complete. This is but an isolated example of a national effort which affects the whole country. The cost has been prodigious; what its ultimate economic result will be, experience must show.

ECONOMIC CHANGES

The War, as has so often happened in the past, brought about a period of great though transient prosperity for agriculture, except in the regions of actual military operations. From 1914 to the end of 1919 prices rose rapidly, more rapidly indeed than in any period for which there are statistical records. In England, for example, the prices of agricultural produce had risen to a level more than 200 per cent. above the average of 1911 to 1913. Cost of production, wages, rent, rates, transport, and so forth had not risen by a like amount, so that, generally speaking, the farmers' margin of profit very rapidly improved. During the War all European countries shared in this upward movement of prices, but after peace was established the course of agricultural prices differed between certain groups of

countries, according very largely to the monetary condition prevailing in each. Broadly speaking, Great Britain and the Scandinavian countries suffered a very rapid fall in prices between the beginning of 1920 and the end of 1921; the boom period ended and agriculture in these countries was once more thrown into a state of depression, lessened in severity no doubt by reason of the large profits made during the years of the War. Denmark and Norway both experienced a rise in prices during 1922 and 1923 followed by a renewed period of deflation in 1925 and 1926, while in Great Britain prices continued to fall interrupted only by a slight rise in 1924. The second group included France, Italy, and Belgium, where a sharp fall in prices from the peak reached at the beginning of 1920 until the end of 1921 was followed by a continuous but relatively slow rise in prices until the stabilization of their currencies in 1926. The third group included Germany, Austria, Poland, and Russia, where an uncontrolled inflation led to a depreciation and ultimately to a complete collapse in the value of the monetary unit. Of the three groups, agriculture without doubt prospered most in the second. The slowly rising price-level in France, acting like a continuous though gentle stimulus to farm enterprise, brought about a steady improvement in agricultural conditions and an expansion of output, just as the slowly falling price-level in England constantly confronted farmers with problems of farm management which not only required greater and greater economy in farm practice, but involved the whole industry in a period of uncertainty and depression.

But the disturbance in prices, violent though it had been, was but a passing effect of the War; European agriculture had been swept along with the rising tide of prices and back as the tide receded. The War had had consequences, however, far more deep-rooted and far more enduring than these. It led to fundamental changes in the permanent structure of European agriculture. It imposed upon Europe a number of economic maladjustments from which in the years that followed she has vainly been trying to extricate herself. These are roughly summarized in the following paragraph.

In the first place the War suddenly brought to a standstill the broad stream of foodstuffs which had flowed westward from Russia and the countries of the Danube, and the counter-stream of industrial goods which flowed eastwards. It was the break-up of a commercial system upon which a great part of European agriculture had depended. In the second place high war-time prices acted as a tremendous stimulus to agricultural production in overseas countries, particularly in regard to cereals, so that by 1918 the five countries, Canada, the United States, Australia, the Argentine, and India, had increased their wheat acreage by no less than 33 million acres, an area capable of producing more than double the pre-War exports from Russia. Western Europe now looked more to the newer countries overseas and less to Russia and the Danube to meet its import requirements of grain. The Russian Revolution after the War confirmed this new alinement, since for several years she had virtually no wheat to export, and in some actually imported on a substantial scale. While Russia was in the throes of revolutionary confusion, North and South America and Australia consolidated their position as suppliers of grain for the European market, and this profoundly important change affecting, as it did, the whole position of European agriculture, became a settled condition of the post-War period. A few figures are enough to show how great, indeed how revolutionary, a change it was. Before the War Russia and the Danube supplied about 40 per cent. of the total world's exports of wheat, while Canada, the United States, the Argentine, and Australia supplied about 50 per cent. In the years 1924 to 1928 the share of the four overseas countries had risen to 94 per cent. and that of Russia and the Danube fallen to about 5 per cent.

A third factor was the creation under the Peace Treaty of seven new States in the frontier regions of three former empires of the Continent—Austria, Hungary, Estonia, Lithuania, Latvia, Czechoslovakia, and Poland, each with its own currency, its own tariff system, and what was perhaps even more important, each bent on a policy of national self-sufficiency. It led not merely to the creation of some 7,000 miles of new tariff fron-

tiers, but to the raising of substantial tariff walls in regions where formerly foodstuffs and manufactures had been freely exchanged.

Fourthly, the spirit of economic nationalism which possessed the whole of Europe after the War led to the general raising of tariff barriers and the imposition of other restrictions on the passage of goods, not merely in the newly created countries but throughout the greater part of the Continent.

Fifthly, the restriction on emigration confronted certain countries with a problem of surplus population which compelled them radically to reshape their agrarian policies so as to provide additional employment on the land.

Sixthly, the special position of Germany by reason of the impoverishment of her industrial population, and the heavy burden of taxation she was called upon to bear caused a diminution in the demand for the products of agriculture.¹

Lastly, a profound change had occurred in the debt and credit relationship of nations. The pre-War creditor position of the industrial nations of western Europe had been drastically changed while the United States of America, formerly a debtor nation, had become the world's chief creditor.

Out of these complex and intractable influences developed the post-War agricultural difficulties of Europe, difficulties which a decade of agrarian statesmanship has been struggling, with but little success, to overcome. From 1925 onwards it is broadly true to say that the condition of agriculture throughout Europe was unsatisfactory and in many regions in a state of depression. Had there been no other evidence, the state of agrarian discontent was made clear enough by the number of international conferences which met during these years in an endeavour to find a solution of the agricultural problem. Once more the pressure of imports of grain, as in the depression of the nineties, was to the forefront of all agricultural discussions. Once more the European peasant system of husbandry was faced—and this time in a graver and more formidable manner—with the challenge to its stability from the new mechanized

¹ See *Germany under the Dawes Plan*, by Max Sering.

technique of the countries of the New World. Once more importing countries fell back on tariffs or other forms of import restriction as a remedy. Between 1924 and the end of 1931 Germany had raised her tariff on wheat or wheat-flour nine times, France six times, Italy five times, while duties on a number of other agricultural commodities had been raised in like manner.

During the years 1923 to about 1929 one subject was constantly uppermost in international discussions of the agricultural situation; it was the relatively low level of prices received by farmers for agricultural products in comparison with the prices of industrial products. Although not true of all countries, it was held to be the major economic disability under which post-War European agriculture had laboured. Partly perhaps the outcome of tariffs on industrial goods, tending to raise their prices in relation to the prices of farm products, it was also in Germany and other central European countries the result of the general impoverishment brought about by the War. Professor Max Sering in a speech before the World Economic Conference in 1927 laid special emphasis on the position, pointing out that 'prices are abnormal because Europe's capacity to compete and the income of European industrial populations have been reduced . . . among all the nations dependent on agricultural imports the German people are the most impoverished'.¹ Lack of demand was, however, accompanied by increasing supplies, at least in respect of cereals, for the post-War years had seen some recovery of the export trade lost to America and other countries of the New World. At the same time overseas agriculture entered upon the most important era of 'mechanization'. The spread of the tractor and of harvesting machinery took place in some parts of the world with such rapidity as to involve a complete technical revolution in grain-production; extensive new areas were brought under crops, particularly in semi-arid regions which in earlier days had been regarded as incapable of being cultivated profitably. In addition to this the world harvested exceptionally large wheat crops in 1927 and 1928, so adding

¹ See *Germany under the Dawes Plan*, by Max Sering.

to the amount of overseas grain which sought an outlet on European markets.

It was in such conditions as these that the world depression, the 'economic blizzard' which began towards the end of 1929, soon spread its effect over the whole of European agriculture. Ill prepared for it though it was, agriculture now had to face the most serious fall in prices within memory. In England, notwithstanding the fact that prices had been falling practically without interruption since 1920, agriculture suffered a further fall of no less than 30 per cent., a decline in three years greater than had occurred in the latter part of the nineteenth century in a period spread over more than twenty years. Agriculture was plunged into a crisis—the worst for which any modern record exists. As the industrial depression deepened, as factories closed down and unemployment amongst the urban population extended, the demand for the products of the farm fell off. But the farmer, unlike the manufacturer, could not reduce his production so easily; the farm could not be run on 60 per cent. or 40 per cent. of capacity. Nor was this all. In importing and exporting countries alike, the powers of the State were called in to save their domestic agriculture, to resist, in effect, the bankrupting of the marginal farmer, by which alone agriculture as a whole could adjust its output to a declining demand. Thus severe restrictions on imports were imposed by importing countries, while bounties on exports were paid by exporting countries. The elasticity of the credit system enabled farmers to carry on in a period of accumulating debts, where a more rigid system would have forced the debtors to give up. So, as the depression continued, manufacturing production and employment fell off, while agricultural production and employment were maintained. Agricultural prices, however, fell to levels below—often far below—the costs of production. Vivid accounts from most parts of Europe revealed pictures of the hardships and struggles of farmers and peasants, of poverty in the face of abundance, of gathering ruin and despair from causes over which they had no control. The desperate remedies adopted by governments with the object of

affording relief to their domestic agriculture often in their cumulative effect merely added to the world disorganization which lay at the root of the crisis, and the farmers' situation in Europe as a whole was often left no better than before.¹

The period of agricultural history covered by this review ends in uncertainty and confusion. In several countries a measure of recovery has occurred, from the lowest point of the depression reached in 1931 or 1932. In Russia notable progress in the development of the collective system of farming has substantially increased the supplies of food available for the whole country. But in central and western Europe the agricultural depression still remains. Notwithstanding the unparalleled progress in agricultural practice during these 150 years, notwithstanding the discoveries of science and the immensely lessened expenditure of the human effort required to cultivate the soil, the struggles of the European agricultural population against the effects of world-wide economic disorganization at the end of this period were hardly less bitter than the struggles of the peasants against personal servility a century or more before. That the fortunes of agriculture were inseparably bound up with those of industry and commerce was a lesson only too severely taught in the school of experience during the post-War years to agriculturists throughout the world. At the end of 1935 it is broadly true to say that with a recovery of industrial output, with a reabsorption of the industrial unemployed in productive occupations, with all that this implies, the demand of the towns for the products of the farm would revive and the severe agricultural depression would pass away. Even so, European agriculture would still remain with many of its problems unsolved—the persistence of the peasant tradition and peasant technique; the efforts to maintain the peasant system in the face of growing competition from overseas countries employing a widely different and much more pro-

¹ The Economic and Financial Committee of the League of Nations in 1931 published the following statement with reference to the world's economic situation: 'From the general standpoint, we are forced to the conclusion that the general result of national measures to cope with the effect of the crisis is almost inevitably to prolong and seriously aggravate it.'

gressive technique; the need of European countries to maintain their rural population, and in some countries to absorb increasing numbers in rural occupations within their own territories; the difficulties arising from the system of land tenure and the technical limitations imposed upon farm practice where it is still carried out in a multitude of small independent units. These are problems for the future.

THE GROWTH OF INDUSTRY IN EUROPE FROM THE LATER MIDDLE AGES TO THE PRESENT DAY

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A. INDUSTRY PRIOR TO THE INDUSTRIAL REVOLUTION

THE STAGES OF INDUSTRIAL EVOLUTION

INDUSTRY or manufacture is that branch of economic activity which adapts raw materials to the use of man. The transformation of wheat into bread, of wool into cloth, and of iron into machines are typical industrial operations. But by convention the term is also applied to the extraction of certain important raw materials such as coal and iron.

Viewed in its whole extent the history of industry falls conveniently into four broad stages, in each of which a particular form of industrial organization prevailed. The traditional names for these industrial forms are:

- (a) The family system.
- (b) The handicraft system.
- (c) The domestic system.
- (d) The factory system.¹

Though the character of each stage is determined by the industrial system which predominates at that stage, this leading system, it is important to remember, is not necessarily the only one. Alongside of it will be found survivals of earlier stages and anticipations of later. Our modern industrial system, for example, contains vestiges and relics of all the systems that have preceded it. A want of 'exclusiveness' is a characteristic of all

¹ As alternative and more descriptive names, N. B. S. Gras in his *Industrial Evolution* (1930) suggests:

- (a) Usufactory.
- (b) Retail handicraft.
- (c) Wholesale handicraft.
- (d) Centralized manufacture.

social phenomena. There are no absolute categories in social science or social history, and this adds considerably to the labours of the historian who wishes to show the orderly sequence that underlies social growth. To succeed, he must concentrate on the significant developments at each epoch, leaving the minor details and the apparent exceptions to be treated later. This is the method followed by the economic historian. He rationalizes industrial history by breaking it up into stages, and fixes the students' attention at each stage on the leading industrial forms then prevailing. In no other way can the broad lines of economic evolution be made clear. 'We can only arrange the sequence of social phenomena in stages by determining what were the dominating or preponderating forces in any particular period, and what the subordinate'.¹

After this preliminary explanation we proceed to note briefly the salient features of each of the four industrial stages.

(a) At the period of the family system, industry has not become a specialized employment. The primitive hunter or agriculturist is his own manufacturer, and, with the aid of his womenfolk, grinds his corn, weaves his cloth, dresses his leather, and makes the rough cooking and eating utensils he requires. A lengthy period, perhaps the longest of all in industrial history, is covered by this stage. It lasted from primitive times down to the early Middle Ages. Interesting examples of it still survive. The baking of bread and the making of jam are common in many English households, and in America the domestic manufacture of wines became widespread after the establishment of prohibition. The reader will doubtless be able to supply other instances from his own experience and environment.

(b) At the handicraft stage, a separation takes place between agriculture and industry. The cultivation of the soil has made such progress that a surplus of food is available to maintain a specialized class of craftsmen. The craftsmen devote their whole time to manufacture, and produce for sale, not for consumption. This development coincides roughly with the rise of

¹ Ashley, *English Economic History and Theory*, pt. ii, p. 43.

towns, which become the homes of the new artisan class, and between which and the rural areas there springs up a short-distance trade. The agriculturists bring their corn and wool to the town market-place and exchange them for the manufactured goods of the craftsmen. The essential features of this industrial system are that production takes place on a small scale and for a limited market, and that the producer sells his product direct to the consumer. Skill is more important than capital and the intervention of a commercial middleman is not required. The rise of handicraft industry dates in Europe from the twelfth and thirteenth centuries. The name of the *guild system* is commonly applied to it, since in the towns the medieval craftsmen were almost invariably united in mutual aid associations called *guilds*.

(c) In the later Middle Ages new industrial forms grew up alongside the old. The establishment of peace and order by strong governments, the improvement of communications, and the growth of population widened the market for manufactured goods and lengthened the chain between producer and consumer. Goods were now made by one person, sold to another, and consumed by a third. When the direct relations between producer and consumer came to an end the *middleman* made his momentous appearance on the stage of industry, and a revolution followed that had important reactions on the position of the craftsman. An economic function for which he had hitherto been himself responsible, the marketing of his goods, was now transferred to a specialist, and with it went a portion of his independence. He could not exist without the merchant middleman who sold his products. In the course of time his dependence deepened. The middleman used his superior economic position to make himself an employer who supplied raw material to small craftsmen to be worked up on commission. Industry became subservient to commerce. The small industrialist bowed his neck to the large commercial capitalist. Yet he did not sink into the position of a mere wage-earner, like the factory hand later. In his little workshop he was still his own master, and free to order his labour as he pleased. His

industrial independence survived. It was his commercial independence only that he had to sacrifice. Yet the sacrifice was considerable. It meant that he could no longer be regarded in the strict sense as an independent producer.

The name *domestic system* applied to this new industrial organization is not altogether a happy one. The craftsmen under it were, it is true, domestic workers, but so were the craftsmen at the handicraft stage. The name fails to differentiate. What is wanted is some term which will bring out the dependence of the craftsman on the merchant middleman. The phrases *putting-out system*, *commission system*, and *wholesale handicraft* are certainly more expressive, but they have not succeeded in dislodging the traditional term.

(d) Under the factory system the craftsman loses his industrial as well as his commercial independence. Production becomes centralized. The worker is taken out of his little workshop and placed in a large building—a factory—where he labours with his fellows under the eye of the employer or his agents. The last vestiges of his position as an independent producer vanish. The entire productive process is under the control of the employer, and the worker does not even retain the ownership of the instruments of production. Between him and his master, unscaleable social barriers arise; and labour and capital face each other as hostile forces. The development of machine methods of production in the eighteenth and nineteenth centuries, though not absolutely essential to the success of the factory system, greatly assisted its growth and ensured its final victory.

This industrial transformation, generally known as the Industrial Revolution, has for us special interest and significance. It was the beginning of the latest (not the last) phase of industrial evolution, the phase of which we have personal knowledge. It created the economic environment amid which most of us pass our working lives. And it gave birth to the industrialized and capitalist Europe which forms the economic background to the last hundred and fifty years, and which is still with us to-day.

THE MEDIEVAL GUILD SYSTEM

The tendency to form associations or fraternities was strong in the Middle Ages, and wherever craftsmen found themselves together in sufficient numbers they united in societies for mutual aid and protection. The craft guild was an almost universal feature of medieval town life. In different countries it bore different names—in England, the craft or mystery; in Scotland, the incorporated trade; in France, the *métier* or *jurande*; in Germany, the *zunft* or *innung*; in Italy, the *arte*; in Spain, the *gremio*. But everywhere it played a decisive part in the life of the craftsman and formed the basis of civic constitutions. The guild was, so to speak, the *shell* of the handicraft system, and it is mainly by examining this outer covering that we discover the characteristic features of medieval industry.

The guild was essentially an urban institution, and for each craft within a town there was a separate guild. With the progress of industry, new trades grew up and the number of guilds in some of the larger towns became considerable. In Paris, according to the list prepared by Étienne Boileau, Provost of the City from 1258 to 1270, there were 100. In London, a record of 1422 names 111 separate crafts.¹ The growth of new trades was partly due to the development of fresh wants and the means of satisfying them, partly the result of specialization: but specialization of a particular kind. It was a principle of the guild system that each craftsman should make a complete article from start to finish. Specialization might take place in final products but not in processes of manufacture. Metal-workers might be differentiated into armourers, spurriers, and nail-makers, cutlers into makers of knives, of scissors, and of sickles. But the transverse division of clothworkers into carders, spinners, weavers, fullers, dyers, &c., was really inconsistent with the spirit of the guild system. It meant that each worker merely *contributed* to the making of an article, instead of being responsible for its complete manufacture. When such tendencies began to show themselves in other trades, the decay of the guild system was not far off.

¹ Unwin, *Gilds and Companies of London*, p. 88.

The functions of the guilds can be regarded from two sides. They owed duties (a) to their members, (b) to the public.

(a) The primary object of the guild was to maintain the craftsman's standard of life. For this purpose it used the favourite medieval weapon of monopoly. No craftsman could ply his trade in a town, unless he belonged to the appropriate guild. In Germany and to some extent in France and Italy, the monopoly was extended to include an area outside the city walls. But in the early stages of guild history this restrictive policy was not burdensome. The guilds were not exclusive in the evil sense of the word. Entrance fees were small and no competent craftsman was deliberately shut out from the practice of his craft. Indeed, the aim of the guilds was to embrace all the craftsmen within a town in order that their regulations might have general force. The growth of a narrow monopolistic spirit was a later development.

To the craftsman, the guild ensured a fair price for the products of his labour. Prices in the Middle Ages were fixed by public authority. The obligation rested in the first instance on the municipality, but it nearly always delegated the duty, under supervision, to the guild officials, who had expert knowledge. The prices fixed by the guilds guaranteed the craftsman a just reward for his labour.

The craftsman profited by his guild in other ways. He received what we would call 'friendly society benefits'. Sick members obtained allowances, widows and orphans of deceased guildsmen were granted pensions, and almshouses were built for the reception of aged craftsmen. The religious side of the guild's activities was very prominent. Indeed, many guilds had developed out of religious fraternities or 'sodalities' among the craftsmen of a particular trade. A portion of the guild's funds was regularly earmarked for religious purposes. Masses were offered for the souls of deceased members, altars and chapels were maintained in parish churches, and the craftsmen took part in religious processions and in the performance of miracle or mystery plays.¹

¹ In the countries which accepted Protestantism these activities came to an end

(b) The public services of the guilds were no less important than those which they rendered to their own members. It was their business to see that the consumer was supplied with a good article at a fair price. The quality of the articles was secured in two ways: (1) by the institution of apprenticeship; (2) by a system of industrial inspection.

(1) The institution of apprenticeship provided the young craftsman with a proper technical training and secured a steady supply of competent workmen. For a number of years¹ the apprentice acted as assistant to a fully qualified master, living with him, and receiving bed, board, and sometimes a small wage. The apprentice owed complete fidelity to his master, who stood to him *in loco parentis* and could administer moderate chastisement if necessary. In return, the master was bound to give the apprentice adequate instruction, and an apprentice's indentures might be cancelled if it could be shown that his master was not carrying out his share of the bargain. Otherwise, the apprentice was bound to serve out the specified term, and if he escaped he could be brought back by force. At the expiry of his apprenticeship, the capacity of the young craftsman was tested by the officials of the guild, and if he gave satisfactory proofs of his competence he was admitted to full membership.² In the ordinary course, he served for the next few years as a journeyman, but only until he had saved the small sum required to purchase his tools and set up shop for himself. The position of master was the goal at which every apprentice aimed and which he normally reached. No social barrier existed between the master-craftsman and his journeymen or apprentices. They were simply members of the same class at different stages of their career.

(2) The inspection of industry was carried out by the guild officials, who had power to enter any workshop at any time.

at the Reformation. The property set aside by the English guilds for religious uses was secularized in 1547.

¹ The period varied. In London it was seven years, and this period was extended to the whole of England by the Statute of Apprentices, 1563.

² On the Continent (though seldom in England) it was the custom to demand the production of a masterpiece, a *chef d'œuvre* or *Meisterstück*.

Defective or 'false' work as it was called was punished by fine, and repeated offences entailed expulsion from the guild. The guild ordinances contained minute prescriptions regarding every detail in the industrial process and the quality of the materials to be used. Later, these regulations became an obstacle to progress, but in their day they undoubtedly afforded protection to the consumer. To reduce the temptation to produce scamped work, craftsmen were discouraged from working at night, and were recommended to carry on their business at open stalls in full view of their customers. The guilds took a pride in maintaining a high standard of workmanship in their trades. Frequently a guild would indemnify a customer who had suffered from the defective work of one of its members.

The price-fixing powers of the guilds were intended to be used not merely in the interests of the craftsmen but for the protection of the consumer. To the men of the Middle Ages, this apparent clash of interests presented no difficulty. The possibility of fixing by public authority a price that would be just to both producer and consumer was accepted as axiomatic. In our own day, the difficulties associated with public price-fixing are so great that the State only exceptionally interferes with the free working of supply and demand. The assumption is made, an assumption obviously open to numerous exceptions, that competitive prices are also just prices. In the Middle Ages, however, the problem was much simpler. The cost of producing an article could be estimated more easily than under our complicated system of division of labour where several hundred people may be necessary to produce a single commodity. The medieval craftsman manufactured a complete article. It was therefore a comparatively simple task to calculate the cost of the raw materials and the amount of the labour-time involved. A certain arbitrary element could not be excluded in fixing the reward assigned to the craftsman, but the medieval mind was not conscious of this. The standard of comfort appropriate to each class was so clear and well defined, that it seemed a natural and not a conventional thing, as it partly is, that an artisan should earn less than a bishop. The

prices fixed by the guilds then were cost of production prices, and cost of production prices are about the nearest approach we can make in any state of society to just prices. They are the prices that would rule in a state of perfect competition, from which every element of monopoly was eliminated. After making all due allowances, we must admit that the prices fixed by the guilds represented an honest and not altogether unsuccessful attempt to reconcile the interests of producers and consumers, an attempt which modern society has to a great extent abandoned.

In conclusion, it should be observed that the guild was an equalitarian association. The object of the guild officials was to keep all the members at the same level of comfort. The ambition of the enterprising craftsman who wished to enlarge his business was frowned upon, and his activities were hampered by numerous regulations. This, rather than the anxiety that young craftsmen should receive a proper training, was the motive behind the provision in most guild ordinances, limiting the number of apprentices that a master could employ. It was meant to cut the enterprising craftsman off from a source of cheap labour. Another common provision obliged a guildsman who had made an advantageous bargain to share it on demand with his fellow members. The great principle of medieval society—'inequality between classes, equality within classes'—found ample illustration in the practice and policy of the guilds.

The guild system rested on a basis of workshop production. The master-craftsman laboured with his own hands, alongside of his few journeymen and apprentices. He produced for a local market and was in direct contact with his customers. When these indispensable conditions were removed or modified, the guild system was transformed by degrees into something totally different.¹

THE DECAY OF THE GUILD SYSTEM

By the sixteenth century unmistakable signs of decay had manifested themselves in the guild system, as it had then come

¹ Good literary descriptions of the conditions prevailing under the guild system are to be found in Dekker's *Shoemaker's Holiday* and Max Eyth's *Tailor of Ulm*.

under the control of the civil authority. The public spirit of the guildsmen had deteriorated. They used their price-fixing powers to enrich themselves at the expense of the community. They relaxed the salutary regulations in their ordinances against night-work and in favour of a limited number of apprentices. Above all, they became exclusive. Access to the master-class was made more and more difficult. Heavy entry fees were imposed or masterpieces were demanded so costly and elaborate as to shut out all but wealthy applicants. But in the case of sons and relatives of existing guildsmen, these stringent conditions were waived, with the result that many guilds became close family corporations. In self-defence, the excluded journeymen formed associations which have in many points a strong resemblance to trade unions.¹ They were composed of wage-earners; they strove to obtain higher wages and shorter hours; and they used the weapon of the strike. The movement was a general one. England had its 'yeomen' *guilds*, France its *confréries*, and Germany its *Gesellenverbande*. Everywhere the craft guilds, aided by the municipal authorities and the Government, struggled to put down the journeymen's societies. In 1548 an English statute forbade workmen to form confederacies, and a number of royal decrees during the sixteenth century declared the French *confréries* illegal. Despite this persecution, the journeymen succeeded in keeping their associations alive, though in England the 'yeomanry' became transformed, by a process which we shall examine later, into a subordinate branch of the craft guild.

A special kind of journeymen's society, unknown in England, though common on the Continent, was the *compagnonnage* or the *Schenke*. It was composed of bachelor journeymen, not limited to a single trade, who, following the continental practice, were spending a few years travelling to gain technical experience before settling down in business for themselves.² At each

¹ The craft guild, which was an association of small masters, had nothing in common with trade unionism.

² In France this was called making the *tour de France*. In Germany the travelling period was referred to as the *Wanderyahre*.

important centre there was an inn, where travelling journeymen were lodged and maintained till they found work. The landlady was the 'mother', to whom the journeymen, her children, owed respect and filial obedience. The officials at the different centres kept in touch with each other and were able in some degree to adjust the supply of labour to the demand. In France, two notable *compagnonnages* were the *compagnons de devoir* or *dévotants* and the *compagnons du devoir de liberté* or *gavots*. They employed a great deal of masonic ritual. The members exchanged secret signs and passwords, wore gaily coloured ribbons, and carried loaded canes. Little real sense of solidarity existed among the journeymen at this period, and the rival *devoirs* were as ready to wage war with each other as with the masters. Feuds between different *compagnonnages* led to sanguinary battles, often lasting for days and requiring the intervention of troops. On account of their general turbulence and the industrial disputes which they provoked, the hand of the Government weighed heavily on the *compagnonnages*. But despite numerous attempts to suppress them they survived right into the nineteenth century, especially in the building trades, where medieval conditions prevailed longer than elsewhere.

Coincident with the rise of a permanent journeyman class, there appeared sectional differences among the masters themselves. The old guild equality vanished, and a sharp distinction grew up between the richer and the poorer guildsmen. The latter were gradually deprived of all share in the management of the guild. In England this change was associated with the custom of wearing liveries or uniforms, though the fundamental causes lay far deeper. Every guild had its livery, and Chaucer describes among the pilgrims who rode to Canterbury:

An haberdasher and a carpenter,
 A webbe [weaver], a deyer [dyer] and a tapeser
 . . . all y-clothed in o [one] liverye
 Of a solemne and great fraternite.¹

¹ It is just possible that the fraternity referred to by Chaucer was a religious fraternity, especially if he means that the craftsmen were all wearing the same livery. They would not be each members of the same craft guild.

At first, liveries were inexpensive and the ordinary guildsman had no difficulty in procuring one. But with the growing extravagance in dress during the fifteenth and sixteenth centuries, still more with the appearance of differences in wealth among the craftsmen, more and more costly liveries were prescribed, until it became impossible for the poorer guildsmen to buy them. As the wearing of a livery was *de rigueur* at all guild meetings, the poorer masters were automatically excluded from the government of the guild. To emphasize the distinction, the liverymen often formed themselves into an incorporated company, while the poorer masters were driven into association with the journeymen, and ultimately amalgamated with them, as we shall presently explain.

All these developments, and especially the abuse of their powers by the guildsmen, did not pass unnoticed by the civil authorities. An English statute of 1504 declared that many guilds had made 'unreasonable ordinances, as well in prices of wares as other things, for their own singular profit and to the common hurt and damage of the people'. It proceeded to enact that in future all guild ordinances must be submitted for approval to the chancellor, treasurer, and chief justices of both benches or to the justices of assize on their circuits. A further Act of 1536 limited entry fees, and forbade guild officials to exact oaths from apprentices, binding them not to set up shop without permission. In France the monarchy tempered the guild monopoly, by creating from time to time certificates of mastership which it sold to the public.¹ In Germany, after the Thirty Years War, feeling rose so high against the guilds that the question was seriously considered in the Imperial Diet whether they should not be suppressed altogether (1669). But nothing came of this proposal, and the German guild system survived almost intact into the nineteenth century.

The changes we have just been describing were merely the

¹ The motives of the Government, of course, were not entirely disinterested. This was a useful method of raising revenue. Nor did the monarchy disapprove in principle of the guild system. It tried to extend it to new trades and localities by an important decree of 1597.

outward expression of an economic revolution which was undermining the bases on which the guild system rested. When the market widened so that goods were sent long distances and often passed through several hands before reaching the ultimate consumer, it was impossible for the craftsman to combine as he had hitherto done the business of manufacturing and of retailing. A separation was bound to take place between these two functions. A class of mercantile specialists appeared, a development which coincided with the growth of differences in wealth among the master class. The richer masters absorbed the lucrative mercantile function. The poorer masters continued the humbler work of manufacturing. The industrialist sank into dependence on the merchant, and ultimately became in a sense his employee, working for him on commission. In the end, these tendencies culminated in the domestic system, but at first they worked within the limits of the guild system, producing revolutionary changes in the internal organization of the guilds and in their relations to each other.

In the most advanced English guilds of the sixteenth century,¹ there appeared a division between the two sections, the livery and the yeomanry, which corresponded almost precisely to the differentiation between the mercantile and the industrial functions. The liverymen ceased themselves to manufacture, but they sold goods produced to their order by the small craftsmen of the yeomanry. The yeomanry had originally been an irregular association of journeymen, who felt themselves definitely cut off from any possibility of rising higher. But the new developments enormously improved the journeyman's prospects. The liverymen had no objection to turning him into a small master working to their order, or in other words, raising him to the same status as those members of the old master class who had been deprived of the mercantile function and forced into dependence on the liverymen. These two sections met on the same social level, the one by a process of elevation, the other by a process of declension. There was therefore no objection to

¹ It should be remembered that the development did not proceed at the same pace in all guilds.

their incorporation in the same organization, and the yeomanry was selected for this purpose. The militant period in its history came to an end. It was recognized by the liverymen and accorded a subordinate position within the craft guild. To its officials was entrusted the duty of inspecting industry, which the liverymen, absorbed in mercantile pursuits, no longer felt themselves competent to discharge.¹

The differentiation between industrial and mercantile functions sometimes showed itself in a different way. It produced, not divisions within the guild, but the subordination of one guild to another. The widening of the market had led in certain trades to a specialization in processes, with the result that a number of craftsmen combined their efforts in the production of a single article. The classical instance of this is in the cloth trade, but there are other examples. In London saddlers, lorimers,² painters, and joiners united to make saddles; cutlers, bladesmiths, and sheathers combined to make knives. Within such groups of kindred crafts, economic relationships necessarily established themselves, and the outcome was that one craft took over the mercantile function, thus asserting a supremacy over the others. This supremacy was generally recognized by the municipality, which conferred on the dominant craft special powers of control and inspection over the subordinate trades. It is indeed from the record of such grants that we get an indication of what was happening. In 1408, for example, the London cutlers were given the right to inspect all sheaths sold in London. A little later they were given a share in fixing the price of blades. This is fairly clear evidence of the economic ascendancy established by the cutlers over the sheathers and the bladesmiths. Similarly, the London burellers (cloth-finishers) had, at an earlier date, obtained control over the weavers whom they employed to weave cloth on their behalf. It was generally the craft at the beginning or at the end (more commonly at the end) of an industrial process

¹ A certain number of young journeymen were still included in the yeomanry, but these usually attained, after a few years' service, to the position of master.

² Makers of thongs.

which was able to make its authority felt over the others. Thus, in the instances just quoted, the burellers were one of the finishing crafts in the cloth industry and the cutlers fixed the blade to the haft and sold the finished knife.

The examples quoted have been taken from the history of the London guilds, but similar instances could be cited from the Continent. At Solingen towards the end of the fifteenth century the three allied crafts of smiths, sword furbishers, and polishers struggled for mastery. Victory rested eventually with the furbishers. In the Lyons silk-trade, a distinction appeared at an early date between the master merchants and the master craftsmen. Similarly, the master printers at Paris became subordinate to the master booksellers. Everywhere the mercantile crafts, or those industrial crafts that had come to specialize in mercantile functions, obtained positions of wealth and social eminence, to which were often added political privileges. In London the twelve great livery companies, whose members had all ceased to have any connexion with handicrafts except as employers, obtained the exclusive right of electing the Lord Mayor. Similar privileges were enjoyed by the Six Corps de Métier in Paris, the Arti Maggiori in Florence, and the Herrenzunft in Basel.

THE DOMESTIC SYSTEM

In the sixteenth and seventeenth centuries Europe witnessed the unusual phenomenon of a migration of industry from the towns to the rural districts. The motive was a desire to escape the cramping restrictions of the guild system. In vain the State and the local authorities tried to arrest the movement. The English Parliament passed laws like the Weavers' Act of 1555 with the object of confining industry to the towns, but the tendency was too strong to be controlled. The lead in this migratory movement was taken by the textile industries, especially by the woollen trade, which, down to the Industrial Revolution, enjoyed a position of industrial pre-eminence. The cloth industry was always in the van of progress. It was the first to adopt the guild system. It was the first to escape from

its fetters. Cloth was one of the few commodities in the Middle Ages for which there was more than a local demand. It was an article that would keep, and which in spite of its bulk could be easily transported long distances. Under the influence of this widening market, specialization was carried to great lengths. In the sixteenth century it took fourteen people to produce a piece of cloth. Clothworkers broke up into groups—carders, spinners, weavers, fullers, dyers, &c.—through each of whose hands the raw material had to pass on its way to the seller. Specialization of this kind had the drawback of introducing a certain amount of disintegration into the industry. Some kind of organization was now required to co-ordinate and combine the efforts of the different clothworkers, who were rural craftsmen, often scattered over a wide area. The want was supplied by the appearance of capitalist middlemen, who in the English cloth trade were generally called *clothiers*. The clothier was primarily a merchant, but to this function he added that of an employer. Through his agents he distributed the raw material to the scattered domestic workers, brought it forward through all its stages, and finally marketed the finished product. The clothiers, at first, came from the cloth industry itself, from the crafts either at the beginning or at the end of the manufacturing process. But no technical knowledge of clothmaking was really necessary to the clothier. He did not superintend the process of making the cloth. He simply examined the work when done. In essence, his transactions were purely mercantile, and made moreover no large inroad on his time. Thus the position came to be fulfilled by persons who had no connexion with clothmaking, and who were often engaged in other pursuits such as farming, sheep-rearing, tanning, brewing, &c. The profession was a lucrative one. Many clothiers carried on operations on a large scale and employed hundreds of workers. Traces of their munificence are still visible to-day in the old clothmaking districts, in handsome parish churches, in almshouses, and in educational and charitable endowments. A clothier founded the Manchester Grammar School.¹ Another, Peter Blundell, left

¹ The origin of this school has been disputed, but the writer of the article on the

£40,000 to establish, amongst other things, the grammar school at Tiverton and the Blundell Scholarships at Balliol College.¹

The domestic system was the culmination of the tendencies which we described in the previous section. Released from the restrictions of the guild system the new economic forces had now an opportunity to work out their full effects. Industry became, for the first time, capitalized.

The significance of this transition from the gild to the capitalist system cannot be overestimated. The essence of the gild system lay in the control of industry by the industrial workers themselves, through an elected authority appointed by them. In the capitalist system, on the other hand, this control is transferred to men who stand outside the ranks of the industrial workers, and are frequently in conflict with them.²

The capital which in this instance transformed industry was mercantile, not industrial, capital. The clothier used his resources to buy raw materials and to pay wages, not to erect factories or to buy machines. Fixed industrial capital was rare at this time. The instruments of production were still the small workshop and the hand tools of the medieval craftsman. On its technical side, industry underwent no striking transformation till the eighteenth century.

The degree of dependence of the domestic worker was not everywhere the same. In a few favoured cases, his position was not far removed from that of the medieval master craftsman. This was true of the Yorkshire woollen industry down to the eighteenth century. Here, the workers themselves were called clothiers. They were not directly employed by the cloth-merchant, but sold him their products on the footing of independent producers. In Leeds, Bradford, Huddersfield, Halifax, and other towns there were weekly markets to which the clothiers

subject in the *Victoria County History of Lancashire*, vol. ii, p. 579, inclines to the belief that it was endowed in the year 1506 as a free school if it did not exist earlier as part of the foundation of the Collegiate church in 1420. A certain Alexander Bexwyk, merchant, had some connexion with the early history of the school.

¹ For an account of a celebrated Essex clothier, Thomas Paycocke of Coggeshall, who died in 1518, v. Eileen Power, *Medieval People*, pp. 156-8.

² Lipson, *Economic History of England*, vol. 1, p. 417.

brought their cloth and sold it direct to merchants from the south. When Daniel Defoe made his tour through northern England in 1727, these markets were busy centres of trade. He describes the one held in the Briggate at Leeds. It began at seven in the morning with the ringing of a bell. The craftsmen stood behind counters placed on trestles, on which their cloth was laid out, and the merchants walked up and down choosing and making their purchases. Within an hour the counters were cleared. This market was held in the open air. A little later two Cloth Halls were built for the accommodation of buyers and sellers.¹

Defoe significantly states that few clothiers brought more than one piece of cloth to market, showing the small scale on which operations were carried on. One piece of cloth was just sufficient to keep a clothier and his family employed for a week. Moreover, in Yorkshire, the union of agricultural and industrial operations which has sometimes, though erroneously, been regarded as an invariable feature of the domestic system, was fairly common. A large proportion of the clothiers had small holdings of pasture land, of from 3 to 15 acres, which they used to rear a few cows and a horse to carry their goods to market. Sometimes they employed journeymen, but these had every prospect of themselves becoming masters. Industrial relations were uniformly good. Disputes about wages were rare, and seldom in a slack period did a clothier dismiss his hands. Defoe's account of conditions in the West Riding is couched in glowing terms:

This place, then, seems to have been designed by providence for the very purposes to which it is now allotted, for carrying on a manufacture, which can nowhere be so easily supplied with the convenience necessary for it. Nor is the industry of the people wanting to second these advantages. Though we met with few people without doors, yet within we saw the houses full of lusty fellows, some at the dye-vat, some at the loom, others dressing the cloths; the women and children

¹ These weekly markets for domestic clothiers continued to function, though with constantly diminishing trade, till the middle of the nineteenth century. The Leeds Cloth Halls were not entirely disused until the eighteen-eighties. v. Heaton, *The Yorkshire Woollen and Worsted Industries*, pp. 391-2.

carding or spinning; all employed from the youngest to the oldest; scarce anything above four years old, but its hands were sufficient for its own support. Nor a beggar to be seen, nor an idle person, except here and there in an almshouse, built for those that are ancient and past working. The people in general live long; they enjoy a good air; and under such circumstances hard labour is naturally attended with the blessing of health if not riches.¹

In the south-west of England the domestic system presented a less agreeable but it must be confessed a more normal picture. The clothier here was not a craftsman as in the north but a merchant-employer, with hundreds of hands in his pay. The craftsman, on the other hand, approached very near to the position of a wage-earner, except that he still owned the instruments of production. Sometimes even this distinction vanished. The clothier bought up the looms and hired them out to the weavers, who were then obliged to work for him and no other.

With the progress of time, the condition of the west country domestic worker underwent a steady deterioration, until in 1806 a Parliamentary Committee could report it as indistinguishable from that of the factory hand.² The rates of pay were small. In the eighteenth century a weaver earned only 5*d.* or 6*d.* a day, a spinner 2*d.* or 3*d.* Spinning, of course, was a by-employment for women and children, and the weaver's earnings would be supplemented by those of his family. Yet these rates compare unfavourably with the daily wages paid to agricultural labourers and carpenters; about 1600, these were 9*d.* and 1*s.*

The domestic worker was at a disadvantage in other ways. The clothier sometimes attempted to pay him with unsaleable cloth, a particularly bad form of truck. He was cheated in regard to the amounts of raw material he had worked up, and in times of depression he suffered from prolonged periods of unemployment. This new industrial phenomenon was a con-

¹ Quoted in Bland, Brown, and Tawney, *Select Documents in English Economic History*, p. 483.

² 'Both in the system of the West of England Clothier and in the Factory System, the work generally speaking is done by persons who have no property in the goods they manufacture, for in this consists the essential distinction between the two former systems and the domestic (i.e. the Yorkshire System).' *Report from the Committee on the Woollen Manufacture of England*, 1806, p. 8.

sequence of the widening of the market. The English cloth industry produced largely for export, and diplomatic quarrels between England and various continental countries often interrupted the export trade. Notable crises of this kind occurred in 1528, 1586, and 1620. Shakespeare had undoubtedly been an eyewitness of the situation he describes in *Henry VIII*:

The clothiers all, not able to maintain
The many to them 'longing, have put off
The spinsters, carders, fullers, weavers, who,
Unfit for other life, compell'd by hunger
And lack of other means, in desperate manner
Daring the event to the teeth, are all in uproar,
And danger serves among them.¹

It is often assumed that, in such emergencies, the domestic worker had agriculture to fall back on as an alternative employment, but this is only true in a limited sense. It applies, if it applies at all, to the makers of rough fabrics. The weavers who produced fine cloths had become, as Shakespeare says, 'unfit for other life'. They had no agricultural holdings, nor did their occupation suit them physically for temporary work in the fields. In their case, the worker had to share with his employer the loss incurred by long periods of slack trade.

To complete this description of the domestic worker's circumstances, it is necessary to add that he worked long hours, 14 to 16 hours daily, and that he started work at an early age. Children of four or five were employed to fetch bobbins, to wind or 'quill' yarn, and carry through preparatory processes like carding and scribbling. Child labour, like long hours, was not an evil created by the factory system. Indeed, the child workers in factories seem to have been better paid and to have had shorter hours than those who worked for their parents under the domestic system. For the adult workman, the one advantage which the domestic system assured him was his liberty. He had no foreman standing over him; he could whistle or sing at his work; and he could adjust his hours as he pleased. This industrial liberty was a very precious possession. When

¹ Act I, sc. 11.

the factory system came, the thing which the domestic worker hated about it most was its rigid soulless discipline, which imposed a strain on body and mind that he had never known before.

'A decentralized form of large-scale industry' is Bucher's apt description of the domestic system. Examples of it are to be found in Flanders as early as the thirteenth century and in Germany far into the nineteenth. But its chief period of supremacy was from the sixteenth to the eighteenth century, and its main strongholds were the textile industries.

LARGE-SCALE INDUSTRY BEFORE THE INDUSTRIAL REVOLUTION

Industrial production before the factory system was carried on predominantly in small workshops or in the homes of the domestic workers, but anticipations of later types of industrial organization were to be found. In certain industries, the technical conditions of production necessitated almost from the first a large industrial unit. This was notably true of the metal industries, iron, tin, brass, and copper.

Apart from the groups of free miners engaged in extracting the mineral from the earth and the survival of small independent producers in the metal trade, every stage of the extractive and industrial processes was conducted on capitalist lines. The foundry and the forge were capitalist undertakings in which the raw material and fuel were owned and the product marketed by an entrepreneur; while capital was also invested in extracting the mineral as well as in the conversion of the metal into finished products.¹

Coal-mining was another industry in which capitalist undertakings employing fairly large groups of workmen were a normal feature. Even in the textile industries, where the domestic system had established so firm a hold, the advantages of a large industrial unit could not escape notice. The waste of time involved in distributing materials to scattered craftsmen was great. Within a single building the labour of the workers

¹ Lipson, *Economic History of England*, vol. ii, p. 162. For a description of a large-scale iron manufacture in the seventeenth century (the Crowley iron works) *v. ibid.*, pp. 178-83.

could be better organized and co-ordinated, and the output could be increased by the application of a stricter industrial discipline. It is not surprising, then, that the factories were established before the introduction of power-driven machinery.¹ In England they appeared as early as the sixteenth century. A famous clothier of Henry VIII's time, John Winchcombe or Jack of Newbury, is said to have gathered several hundreds of clothworkers in a large building.² About the same time, William Stumpe, a Malmesbury clothier, filled Malmesbury Abbey with looms and offered to rent Osney Abbey, where he undertook to find work for 2,000 men. Other examples of similar enterprises could be quoted. But for various reasons, this early attempt at factory production proved premature. Several causes have been assigned for its failure—the hostility of the workers, who hated the factory discipline, and the distrust of the Government, which imposed restrictions by the Weavers' Act (1555) on the number of looms that could be maintained in one house. But perhaps the most serious obstacle was the want of capital. Few clothiers had sufficient resources of their own to erect factory buildings, and the contemporary interest rates on borrowed money were too high to permit the want to be supplied in this way. It is significant that most of the early factories were established in disused church buildings which could be had cheap. The general inference is that the gains to be made from factories without machinery were not substantial enough to balance the large capital outlay involved.

In France large-scale enterprises were more numerous, but this was mainly an artificial development, fostered by state help. The French factories were either state enterprises like the *Imprimeries Royales*, the Gobelins tapestry manufacture, or the Sèvres porcelain works; or else they were private businesses which received state aid in the shape of subsidies or relief from taxation. These privileged enterprises, of which a famous example was the Van Robais cloth factory at Abbeville (1665), bore the

¹ To these factories without machinery Karl Marx gave the name of *manufacture*.

² See the rhyming account in Thomas Deloney's *Pleasant History of John Winchcomb*, 1630.

name of *manufactures royales*. Traces of over 500 of them have been found before the Revolution.¹ Similar institutions were common in Germany and Austria.²

TECHNICAL PROGRESS IN INDUSTRY

Prior to the Industrial Revolution, the technical progress of industry, though it lacked the spectacular element so conspicuous at a later stage, was steady and, in its accumulated results, remarkable. In the making of cloth, Adam Smith noted three 'capital improvements' which had been made up to his time: first, the exchange of the rock and spindle for the spinning wheel, which with the same quantity of labour will perform more than double the quantity of work; secondly, the use of several very ingenious machines which facilitate and abridge, in a still greater proportion, the winding of the worsted and woollen yarn, or the proper arrangement of the warp and woof before they are put into the loom, —thirdly, the employment of the fulling mill for thickening the cloth instead of treading it in water.³

The fulling mill was an early instance of the use of power-driven machinery in the cloth industry. The process of fulling consisted in pressing into the cloth certain cleansing and shrinking agents like soap and fuller's earth. This was done in tanks, at first, with the naked feet of the fullers, who were therefore often called 'waulkers'. At some uncertain date, the practice of beating the cloth with wooden mallets was introduced, the mallets being attached by a hinge to an upright post beside the fuller's trough and worked by hand. At a subsequent date, also uncertain, but at any rate not later than the sixteenth century, the mallets were worked by water power. This labour-saving device was strenuously opposed by the fullers and was declared illegal by a statute of 1483. But the statutory prohibition had apparently no effect.

In other cloth-finishing processes, a similar use was made

¹ Not all *manufactures royales*, it should be noted, were examples of large-scale industry; many of them employed domestic workers.

² Weber, *General Economic History*, pp. 172-3.

³ *Wealth of Nations*, Book I, chap. xi, Adam Smith says nothing of the revolutionary inventions of Arkwright and Hargreaves, which were both prior in date to the *Wealth of Nations*.

of mechanical methods. What was called 'burling' consisted in going over the surface of the cloth with teazles to raise the nap.¹ By the sixteenth century the teazles were set in large cylinders or drums, turned by winches, at first by hand and then by water power. This was the origin of the 'gig-mills' which were forbidden by an English statute of 1551. Again the prohibition proved futile. Gig-mills were quite common in the seventeenth and eighteenth century, and according to a Wiltshire witness in 1803 had been used in that district as far back as memory would go. The use of shearing frames is a third mechanical method which dates from the fifteenth century. A statute of 1495 directs shearmen to give up using instruments of iron for shearing the cloth, and return to the traditional shears.

In the other textile industries, the most outstanding invention was Lee's knitting frame (1589), due, like the power loom later, to a clergyman. The invention exactly reproduced the movements of the hand-knitter but at much greater speed, and could be used for the knitting of both woollen and silk stockings. But the knitting frame was frowned on by the authorities and the inventor died abroad in poverty and disgrace.

In the metal industries, some improvements fall to be noted. Power was used to work the bellows which blew air into the smelting furnaces and the finished metal was rolled and slit by mechanical methods. Most important of all, an English iron-master, Dud Dudley (1599-1684), substituted coal or coke for charcoal in the work of smelting. But Dudley kept his invention a complete secret and carried it with him to his grave. The process had to be rediscovered in the eighteenth century.

Corn grinding is another industrial operation which was very early mechanized. The old hand-mills or querns soon gave way to water-mills or windmills. Of the two, water-mills were for obvious reasons the more common. Windmills were not introduced into Europe much earlier than the twelfth century. The first of them were *post-mills*, in which, to bring the sails facing the wind, the whole structure was revolved on a post

¹ The teazle is a plant with a prickly head. It is still grown for this purpose.

by means of a lever. Later, the sails were attached to a movable cap, which alone revolved, the lower part of the mill remaining stationary.

In an age when the communication of intelligence was difficult, knowledge of new processes and inventions travelled from country to country mainly by means of migrating artisans.¹ It was in this way that England acquired her important worsted industry from the Low Countries. Two great immigrations of foreign weavers took place in the fourteenth and sixteenth centuries, and led to the manufacture of what were collectively known as the New Draperies. These were worsted cloths, and they represented a great technical advance. In the earliest woollen fabrics the wool fibres were combed over each other and made to 'felt'.² This gave the cloth its consistency, but also made it very rough and heavy. In worsted fabrics, long wool fibres were used and combed straight out to prevent their felting. Then they were spun into a hard firm yarn and the consistency of the cloth was made to depend on the strength of the warp and the woof, not on the felting properties of the wool. Worsted cloths were lighter than woollens and patterns could be more easily produced on their smooth surfaces. Their superiority was such that they eventually displaced woollen cloths almost entirely. To-day, what are technically called 'woollens' in the cloth trade are nearly always worsteds.³

Another industry which England owed to aliens was the silk industry, established in Spitalfields by Huguenot refugees after the Revocation of the Edict of Nantes (1685). Like the cotton industry which grew up in Lancashire in the fifteenth and sixteenth centuries, the silk manufacture drew a large part of its raw material from sources outside Europe⁴—an instance of the increasing dependence of industry on commerce.

It should be observed in conclusion that technical progress

¹ This method is still sometimes employed. In a silk mill established in Paisley in 1932 Swiss girls were introduced to instruct the local operatives.

² This was what was technically known as 'carding'.

³ But worsteds are still produced, e.g. tweeds.

⁴ The breeding of silkworms was introduced into the west in the sixth century, but Europe has never been self-sufficing in regard to silk.

was due in many cases not so much to the invention of new processes, but to the splitting up of existing processes into parts and distributing them among different workers. The classic illustration of this was drawn by Adam Smith from the pin-making industry. Pin-making was divided into eighteen distinct operations.

One man draws out the wire; another straightens it; a third cuts; a fourth points it etc. I have seen a small manufactory of this kind where ten men only were employed, and where some of them consequently performed two or three distinct operations. But though they were very poor, and therefore but indifferently accommodated with the necessary machinery, they could when they exerted themselves, make among them about twelve pounds of pins in a day. There are in a pound upwards of four thousand pins of a middling size. Those ten persons, therefore, could make among them upwards of forty-eight thousand pins in a day. Each person, therefore, making a tenth part of forty-eight thousand pins, might be considered as making four thousand eight hundred pins in a day. But if they had all wrought separately and independently, and without any of them having been educated to this particular business, they certainly could not each of them have made twenty, perhaps not one pin in a day; that is, certainly not the two hundred and fortieth, perhaps not the four thousand eight-hundredth part of what they are at present capable of performing, in consequence of a proper division and combination of their different operations.¹

THE STATE AND INDUSTRY

From the sixteenth to the eighteenth centuries, the relations between Government and industry in Europe were very close. The growth of great nation states like England, France, Spain, Prussia had important repercussions on economic development. Political nationalism produced its natural fruit in economic nationalism. Each country strove to make itself rich at the expense of its neighbours, and all the resources of the State and the administration were enlisted in the struggle. It was considered the duty of every government to assist its subjects in the race for wealth, for national wealth meant national

¹ *Wealth of Nations*, Book I, chap. i.

power. Under the influence of this idea, State control was gradually extended till it covered nearly all departments of economic activity. At the same time, a body of practical maxims grew up to guide statesmen in their efforts to promote national prosperity. It is to this system that the name of *mercantilism* is given. As a practical policy, it applied to all forms of economic effort, but here we can only consider it in its relation to industry.

One of the most typical exponents of mercantilism was the French statesman Colbert (1619-83). Indeed mercantilism and Colbertism are often regarded as synonymous terms. Colbert was of bourgeois extraction. His father was a cloth merchant, but he himself entered the public service and rose to be controller-general of the finances in 1665. Adam Smith described him as 'a laborious and plodding man of business' who wished to regulate the commerce and industry of a great country 'upon the same model as the departments of a public office'. There is some point in this criticism. Colbert was a hardened bureaucrat with an unlimited belief in the efficaciousness of official decrees and edicts. By his energetic measures it is true he promoted an industrial renaissance in France, but this forward movement was followed after his death by a period of stagnation and decay. How far this was due to accidental circumstances and how far to an inherent vice in Colbertism will always furnish matter for debate between the champions of industrial control and the advocates of economic liberty.

The policy of Colbert can be briefly summarized. To plant new industries, he adopted the only method practicable at the time and bribed foreign workmen to bring their skill and technical knowledge to France. Swedish miners and founders, Dutch clockmakers, Venetian glass-makers, and Flemish lace-workers were attracted across the French frontiers. Even heretical workmen and industrialists were made welcome. The great Van Robais was a Protestant from Middleburg. On the other hand, stringent measures were taken to prevent skilled workmen from leaving France. There was no public law against emigration, but Colbert supplied the want by administrative measures. On his instructions, some Venetian glass-

workers who wished to return to their own country were arrested at the frontier and imprisoned by the archbishop of Lyons. Similar treatment was dealt out to a number of French silk manufacturers who wished to take their workers into Spain. 'In a few days', wrote Colbert to the intendant, 'I shall send you orders to liberate the workmen, but the four masters must be detained in prison and made to suffer because there is no penalty established against them by the laws and ordinances of the realm'—an interesting sidelight on the methods of an arbitrary government.

Industries once established in France were given every kind of artificial encouragement. They were registered as *manufactures royales* and received subsidies, exemption from taxation and monopoly grants covering wide areas and for long periods. A company for the manufacture of Venetian lace, for example, obtained for seven years the sole right to sell this commodity throughout the kingdom, in addition to a direct subsidy of 37,000 livres. Foreign competition was rigorously excluded. Heavy duties and prohibitions were imposed on important manufactures. The principles which inspired Colbert's tariff policy were, in his own words, 'to reduce duties on imports which serve as raw material for manufactures within the kingdom, to augment the duties on imported manufactured goods, and to diminish export duties on manufactures'. In the tariff of 1664, still more in the tariff of 1667, Colbert put these principles into practice. The tariff of 1667 doubled the duties on a large number of imported manufactures, allowed raw materials to come in free or on payment of a nominal duty, but prohibited their export from the kingdom. The new import duties were strongly resented by both England and Holland. They instituted measures of retaliation, and Colbert's tariff policy was an important cause of the Franco-Dutch War of 1672. In the end, France had to moderate her aggressive policy and to make important tariff concessions to both her commercial rivals, to England in 1672, and to Holland after the Peace of Nymwegen in 1678.

The protected industries were expected to maintain a high

standard of workmanship. This was enforced by an elaborate system of government control and inspection. Colbert issued about 150 edicts dealing with different industries, which prescribed in minute detail the industrial processes to be followed. The edict on clothmaking (1669) laid down the quality of the raw material to be used, the length and breadth of the cloths, the number of threads to the chain, &c. 'We desire', said the preamble, 'to remedy as much as possible the abuses committed for several years in regard to the length, breadth, strength, and goodness of cloths, serges, and other woollen stuffs, and to render uniform all those of the same sort, name, and quality, in whatever place they are manufactured so as to increase trade within and without the kingdom and to protect the public against fraud.' Some of the edicts were very elaborate. The dyeing ordinance of 1671 contained 317 articles and was 'less a code than a dyer's manual'.¹ Chaptal, Napoleon's minister, who was also a chemist, declared it the best contemporary treatise on the dyeing art. In preparing his edicts, Colbert availed himself of all the expert advice obtainable. He sent commissioners round the provinces to confer with merchants and manufacturers, and could flatter himself that his decisions were taken after consultation with those immediately concerned. But it was only the opinions of the better-class manufacturers that were listened to. The opposition of the smaller men was either ignored or overborne.

For the administration of his industrial code, Colbert relied partly on the guilds, which by an edict of 1673 he tried to introduce into trades and localities where they did not previously exist, partly on a special corps of inspectors which he set up in 1669. Cloths and other regulated commodities had to bear a stamp which was imposed by the guild officials at the local town hall. Infractions of the law were summarily punished by *juges de manufactures*, specially instituted to administer this branch of justice. The penalties included fines, imprisonment, and exposure in the pillory, with the confiscation of the defective goods.

¹ Levasseur, *Histoire des Classes Ouvrières en France*, vol. ii, p. 217.

With Colbert's death, the industrial revival, for which he had been responsible, came to an end and was succeeded by a period of economic stagnation. 'All trades languish', wrote Fénelon in 1694, 'and can no longer maintain their workers . . . France has become nothing but a large hospital, desolate and without provisions.' An important share of the blame for this set-back must be assigned to the costly wars waged by Louis XIV and to his reactionary religious policy, which deprived France of so many skilled and industrious Protestant workers, in whose expulsion, we can be certain, Colbert would never have concurred. Yet it is also permissible to infer that French industry had undergone an artificial forcing process which was now followed by a natural reaction. It is significant that this view was expressed by contemporaries. Colbert's regulative system was held at least partly responsible for the disasters that befell France. Boisguillebert and others strongly criticized the policy of feeding industries with bounties, and after Colbert's death a conference representative of the chief French towns condemned his protective measures. Yet despite these attacks, the regulative system was maintained and extended through the eighteenth century. The number of inspectors increased, and fresh edicts continued to be issued 'because the precautions taken by previous measures were not sufficient' or because 'of the negligence and bad faith of merchants and manufacturers'. During the later eighteenth century the strictness of the administration was slightly relaxed, but the system survived in its main features till the Revolution.

In England, which attained political unity much earlier than most European countries, economic regulation on a national scale goes back very far. But it will be sufficient for our purpose to begin with the Statute of Apprentices (1563), which initiated a new phase of State control. Briefly, the purpose of the statute was to take over rules and regulations which had been administered locally by the guilds and municipalities, and apply them to the nation as a whole. Thus a seven years' apprenticeship was prescribed for all trades. The number of apprentices to be taken by masters was restricted in the crafts

of clothmaking, shoemaking, and tailoring, where signs of a nascent capitalism had appeared. Entry to the rich mercantile crafts was confined to men of substance. The hiring of labour, in thirty named occupations, was to be for a year at a time with three months' notice on either side. A labourer, leaving his parish to seek for work, must carry with him a certificate from his last employer. The working day was fixed between 5 a.m. and 6 or 7 p.m. in summer, and from dawn to dusk in winter with an interval not exceeding $2\frac{1}{2}$ hours for meals. Justices of the peace were given authority to fix *maximum* wage rates for labourers in their district. This last provision was supplemented by a later Act of 1603 which permitted *minimum* rates to be fixed in the textile trades where the oppressive power of capital was beginning to make itself felt.

The Statute of Apprentices is really a labour code to which there is no exact parallel in the measures designed by Colbert. But in other respects, English legislation faithfully reflected his principles, so much so that the term 'Parliamentary Colbertism' has been applied to the economic policy pursued by the English Parliament after the Revolution.¹ To encourage new industries or the invention of new processes, patents of monopoly were granted. In the early stages, the monopoly system, which originated in the reign of Elizabeth, was frequently diverted from its proper purpose. Monopolies were granted to men who had no claim to be inventors or industrial pioneers, to public servants of the Crown, or to favourites of the Court. But these abuses were partly corrected by the Statute of Monopolies in 1624 and finally removed when Parliament assumed in 1642 the right to cancel obnoxious monopoly grants. Another method of introducing new industries was by attracting alien workmen to England and giving them protection against the jealousy of the native artisans. In this way, as already mentioned, Huguenot weavers at the close of the seventeenth century established the silk industry in Spitalfields. On the other hand, the emigration of skilled workmen was forbidden by an Act of 1718, and two statutes of 1696 and 1774 forbade the export of

¹ By Cunningham, *English Industry and Commerce*, vol. ii, p. 403.

machinery. The export of important raw materials was likewise forbidden. An Act of 1660 made it a felony to send wool out of the kingdom, at a time when felonies were punishable by death. Adam Smith did not exaggerate when he spoke of the laws regulating the woollen manufacture as being like those of Draco, 'written in blood'. Indeed, the severity of this particular law interfered with its due administration, and milder penalties had to be substituted by an Act of 1696. Raw materials coming to this country were admitted duty free and, if they came from the colonies, might receive a bounty. Protection against foreign competition in manufactured goods was afforded by heavy duties and prohibitions. A Restoration law placed a prohibitive tax on imported cloth, and when English woollens began to suffer from the competition of Indian calicoes, the Calico Act of 1721 forbade the weaving of pure cotton fabrics. This statute, intended primarily for the protection of the woollen trade, proved eventually to be of even greater benefit to the English cotton industry, which was thereby enabled to withstand the formidable competition of Indian cottons. The cotton cloths woven in England at this time were really mixtures of cotton and linen and therefore not liable to the prohibition imposed by the Calico Act.¹ In more direct ways, the consumption of English wares was stimulated. A law of 1667 enacted that the dead must be buried in woollen cloth,² and Parliament in 1698 directed that 'all magistrates, judges, students of the universities, and all professors of the common and civil law, do wear gowns of the woollen manufacture'.

In return for these valuable privileges, industry was obliged to conform to a certain standard of production, and the English statute book is full of laws prescribing the materials to be used and the processes to be observed in particular trades. The woollen manufacture, England's premier industry, received the greatest share of the legislature's attention. A manual

¹ When the Act was repealed in 1774, the cotton industry no longer required protection.

² As a rhymester expressed it:

'Since the living would not bear it,
They should when dead be forced to wear it.'

published in 1792 of 'laws relating to the growers of wool and to the manufacturers of and dealers in all sorts of woollen commodities' contained references to 311 statutes in force at that time. Earliest of all was the Assize of Cloth which can be traced back to the twelfth century. Originally, it prescribed the exact dimensions of cloth, 'to wit, of two ells within the lists, and of the same goodness in the middle and the sides', and in the reign of Edward I a special officer known as the *aulnager* was appointed to see that the law was enforced. But the restriction on the size of the cloths proved inconvenient, and after the fourteenth century the *aulnager* simply certified by his stamp the size and quality of the cloths offered for sale. Even Adam Smith approved of this system, which gave protection to the consumer without hampering the producer. In addition to the *aulnager*, the officials of the guilds and special 'searchers' appointed by the municipalities saw to the observance of the industrial code.

Colbert had his imitators in all parts of Europe. Frederick the Great imposed import prohibitions by hundreds, closed the frontier to the export of raw materials, welcomed French silk-weavers into Prussia, and lavishly distributed bounties on export. In Austria the textile, glass, and metallurgical industries were heavily subsidized, and foreign workmen were imported to teach the natives new processes. In Russia Peter the Great endeavoured by similar methods to introduce Western industry into his barbarous semi-oriental empire.

THE GROWTH OF INDUSTRIAL FREEDOM

The system of State control which we have just described had obvious dangers. It tended to hamper technical progress and to give obsolete methods of production an unnaturally long lease of life. Two years after Colbert's death, the silk workers of Tours complained that his prescription of particular widths for silk fabrics had ruined their market. A similar allegation was made by the clothworkers of Auvergne and Normandy. On occasion, a relaxation of the obnoxious regulations was obtained, but the process of approaching the Government was

surrounded with such difficulties that more often the harassed industrialists preferred to suffer in silence or else take the risk of breaking the law. The restrictions of the guild system were no less oppressive. In 1695 the Parisian button-makers opposed a blind resistance to the making of buttons by machinery, and for years the plumbers opposed the efforts of the Government and of the two Academies to introduce a superior method of producing lead, which had been used in England with excellent results. In 1756 when James Watt the inventor opened a shop in Glasgow, he was prosecuted by the Glasgow hammermen, because he had not served a regular apprenticeship, and had to take refuge within the walls of the university which was outside the hammermen's jurisdiction. Even Colbert himself had an inkling of the dangers associated with his policy. He spoke of his protective measures as 'crutches' to be cast aside when industry had attained its full vigour, and in a significant phrase he stated the argument for economic freedom: 'Men should be left alone.'¹ They apply themselves without trouble to what is most suitable and this possesses the greatest advantages.'

In the course of the seventeenth and eighteenth centuries the intellectual reaction against industrial regulation slowly gathered strength. Boisguillebert (1646-1714) was sent into exile for his trenchant criticisms of the policy of Colbert. Gournay (1712-59), a merchant who became intendant of commerce² in 1751, used his official position to temper the rigidity of the French regulative system. He is the reputed author of the phrase '*laissez-faire, laissez-passer*'. A little later the physiocratic school, headed by Quesnay, preached the advantages of economic liberty and protested against a policy which sacrificed agriculture in the interests of industry. In England the criticism of State intervention was begun by the Restoration writers, Child, Coke, and Culpepper, continued in the eighteenth century by Dean Tucker and David Hume,

¹ 'Il faut laisser faire les hommes.'

² After 1722, French industry and commerce were controlled by a Bureau of Commerce, of which the most important members were four intendants.

and given its most trenchant expression by the great apostle of industrial freedom, Adam Smith. In addition to stating the general principle of economic liberty, Adam Smith directed a raking fire of criticism against the regulative system as it prevailed in Great Britain in his time. The exclusive privileges of the guilds or corporations, as he calls them, and the long apprenticeships prescribed by the Statute of Apprentices received short shrift at his hands.

The pretence that corporations are necessary for the better government of the trade is without any foundation. The real and effectual discipline which is exercised over a workman is not that of his corporation but that of his customers

The institution of long apprenticeship can give no security that inefficient workmanship shall not frequently be exposed to public sale. When this is done, it is generally the effect of fraud, and not of inability; and the longest apprenticeship can give no security against fraud.¹

And he summed up his general conclusion in the famous passage:

All systems, either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which, no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interests of the society.²

Under the influence of these ideas, the regulative system which prevailed in most European countries during the eighteenth century was gradually undermined. In France a more liberal spirit entered into the administration of the industrial code, and several concessions were made in the direction of

¹ *Wealth of Nations*, Book I, chap. x

² *Ibid.*, Book IV, chap. ix.

freedom. The manufacture of printed calicoes, over which a bitter dispute had raged for nearly half a century, was finally permitted in 1759, and during the ministry of Necker (1776-81) the regulations regarding the size of woollen cloths were considerably relaxed. Most important of all, the Government, for a brief period, withdrew its protection from the guilds. In 1774 Turgot, a friend of the physiocrats and a confirmed believer in industrial liberty, became controller-general. Among the outstanding measures of his brief ministry was his edict of 1776, extinguishing the monopoly of the guilds. 'It is permitted', said the first article, 'to all persons whatsoever, even to unnaturalized foreigners, to exercise throughout the whole kingdom and in our good town of Paris every kind of trade and profession that seems good to them and even to combine several trades.' The edict professed a robust faith in the efficacy of freedom to ensure industrial capacity. 'We shall not be deterred from this act of justice by fear lest a crowd of artisans take up work of which they are ignorant and deluge the country with inefficient work. Where liberty has prevailed, it has not produced these evil results.'

Turgot's sagacious measure proved premature. The storm of opposition produced by this and other proposals forced the king to part with his minister (May 1776). His policy was reversed, and the guilds were re-established, shorn, however, of some of their worst abuses. But the respite allowed them was brief. The Revolution with its emphasis on individual liberty and its hatred of privilege sealed their fate. When the question of their continuance came to be discussed in the National Assembly, hardly a voice was raised in their defence. A law abolishing their monopoly was carried in 1791 without opposition. Entry to all trades and professions became free, subject to the purchase of a licence (*patente*) which was merely an annual tax and no evidence of technical capacity. With the guilds went, a few weeks later, the whole system of industrial encouragement and inspection set up by Colbert. The corps of inspectors was dissolved, and the privileges granted to the *manufactures royales* were cancelled.

At the time, the action of the Assembly provoked little influential criticism, except from one unexpected quarter. Marat, who was skulking in cellars and editing his *Friend of the People* under great difficulties, entered a protest. 'In the useful and necessary trades', he wrote, 'the artisan should be obliged to give evidence of capacity, because since no one can do without his products, good or bad, the order of society requires the legislature to take measures to prevent fraud, the lowering of morality, and the evil consequences which follow from it.' The protest was significant. It was the voice of socialism challenging the doctrinaire liberalism of the Assembly. The militant democracy which Marat represented regarded State intervention in a very different way from the enlightened bourgeoisie in whose interests the Revolution was mainly carried through.

Still, even the Assembly felt that some practical limits must be placed to the doctrine of economic liberty. Entry to certain skilled trades like pharmacy was made dependent on a certificate of capacity. The legislators, in their devotion to freedom, did not wish to risk poisoning at the hands of unqualified chemists. The goldsmiths, too, had to submit to police regulation to prevent fraud in the purity of the metals they used; and the establishment of blast furnaces was forbidden without permission from the legislature. In the interest of genuine inventors, limited monopolies for five or fifteen years were granted, a measure which laid the foundations of French patent law. Under Napoleon, whose military instincts disposed him to favour a system of control, these encroachments on economic liberty were considerably extended, and in the printing and victualling trades of the capital and some of the larger towns a modified form of the guild system was established, which did not completely disappear till the fall of the Second Empire.

In England the regulative system perished largely through inanition. During the eighteenth century the Statute of Apprentices ceased to be enforced. Already the law-courts had exempted numerous trades from its provisions, on the ground either that they were unskilled or that they were not in existence

when the statute was passed. On this latter plea, the cotton industry secured exemption. Petitions for the enforcement of the law were discouraged by Parliament, and a House of Commons Committee in 1751 declared against the rule of a seven years' apprenticeship. Actually the Statute of Apprentices was not repealed till 1814, but long before that it had ceased to be effective. In the same way, the laws regulating the manufacture of cloth fell into desuetude. The office of aulnager was allowed to lapse in 1729. Various cloth districts received statutory exemption from the regulative laws, and by the beginning of the nineteenth century they were no longer observed. A comprehensive measure abolished them all in 1821. The guilds nominally retained their official monopoly till 1835. In that year the Municipal Corporations Act laid down that 'every person in any borough may keep any shop for the sale of all lawful wares and merchandises by wholesale or retail, and use every lawful trade, occupation, mystery and handicraft for hire, gain, sale or otherwise within any borough'. But long before that, the guilds had ceased to exercise their legal powers and had in effect become, what they now are, friendly societies for the rich.

In Germany the guild system displayed greater tenacity than elsewhere. In the Western provinces and in Hanover, the French occupation during the Napoleonic period led to the automatic extinction of the guilds, but the downfall of Napoleon was followed by a reaction. The Prussian Government maintained industrial freedom in Westphalia, but elsewhere a return was made to the older system. During the nineteenth century the progress of economic liberalism was slow. The principle of industrial liberty was acknowledged by the Prussian Government in 1811, but in many Prussian districts, and in most other parts of Germany, freedom was only conceded to a few favoured industries. A Prussian commission appointed to investigate the question considered it for ten years and finally reported in 1845 in a conservative sense. A law of that year limited the right of taking apprentices in forty named trades to guild members. Four years later, during the reaction that followed the abortive

Revolution of 1848, guild membership was made compulsory in seventy handicrafts. By the sixties, however, it was coming to be realized that the German guild system was an anachronism, and a series of State laws, culminating in an imperial law of 1872, established freedom of industry throughout Germany. But the forces of reaction were not yet spent. The guilds survived as voluntary associations; the number of handworkers in Germany was large; and an agitation, supported by the conservative elements in German society, was instituted in favour of the old restrictions. The movement obtained a partial success. In 1884 a semi-official character was conferred on the guilds, and the right to employ apprentices was confined to guild members. This was equivalent to making guild membership compulsory in the smaller handicrafts where apprentice labour was indispensable. A further law of 1897 gave local authorities the power to sanction compulsory guilds, and during the next seven years about 3,000 such bodies were established. On the eve of the War they had about half a million members (about a third of the handworkers of Germany), though they were mainly confined to eastern Prussia, Silesia, and Saxony. The Government encouraged them as a means of protection for the handworker and as agencies for the technical training of young craftsmen. But they could not be said to play any decisive part in German economic life.¹

In our desire to follow the history of the guild system to its close, we have been carried far beyond the stage at which we left industrial evolution in the eighteenth century. We must now return and trace the progress of industry during its latest and most important phase.

¹ Nevertheless, their numbers show no sign of diminishing. In 1931 there were 11,525 compulsory guilds with a membership of 783,651. The free guilds numbered 6,143 with a membership of 193,967.

B. THE INDUSTRIAL REVOLUTION AND AFTER

THE INDUSTRIAL REVOLUTION

THE term 'Industrial Revolution' was first made popular by Arnold Toynbee, who chose it as the title of a course of lectures published after his death in 1884. No break in continuity is implied by the phrase. Revolutions, in the sense of complete breaches with the past, simply do not happen in economic history. The relations of cause and effect suffer no interruption in the sphere of economics any more than in the world of nature. Each stage develops naturally out of the stage that preceded it, and the course of economic evolution forms a complete, unbroken chain. On grounds like these, exception has sometimes been taken to the phrase 'Industrial Revolution'. But all depends on the precise meaning attached to it. Regarded not as 'an antithesis to "evolution"' but simply a rapid and sweeping phase of it'¹ the term requires no defence. The industrial transformation of the eighteenth and early nineteenth centuries was marked by two outstanding features, each of which deserves to be qualified as revolutionary: (a) an enormous acceleration in the rate of economic change, (b) an intensification of the social suffering which has hitherto been the invariable concomitant of ruthlessly pursued economic progress. As a further justification for the term we might add that no milder epithet would properly convey the mingled sensations of optimism and pessimism, of attraction and repulsion, of fascination and horror, which are excited in us by a contemplation of this momentous phase of industrial history.

In its essence, the Industrial Revolution means the substitution of industry for agriculture as the principal occupation of the leading European peoples. It thus marks the end of a thousand-year stage in economic history. Agriculture had developed in the primitive period as a by-employment alongside pastoral pursuits. But by the early Middle Ages it had become practically the sole occupation of the labouring popula-

¹ Sir William Ashley in the Introduction to Hamilton's *English Brass and Copper Industries*, p. ix.

tion. Till the eighteenth century, European society was predominantly agrarian. Towns were few and small; the urban population was merely a tiny fraction of the whole; industry and trade engaged no more than an inconsiderable part of the economic activities of mankind. With the Industrial Revolution, there ensued a profound alteration in the balance of economic pursuits. In the most advanced countries, agriculture ceased to employ a majority of the working population. In some extreme cases it even sank to the second or third place among occupational groups.¹ Commerce and industry steadily claimed an increasing proportion of workers, while the town population soared to unprecedented heights,² producing startling changes in the mental outlook, the social habits, and the political constitutions of the industrialized peoples.

Birmingham and Wolverhampton and the hundred Stygian forges with their firethroats and never-resting sledge-hammers rose into day. Wet Manconium [Manchester] stretched out her hand toward Carolina and the torrid Zone, and plucked cotton there, who could forbid her that had skill to weave it? Fish fled thereupon from the Mersey River, vexed with innumerable keels. England, I say, dug out her bitumen-fire and bade it work; towns rose and steeple-chimneys;—Chartisms also and Parliaments they name Reformed.³

Of few revolutions can it be said that they touched the life of mankind at so many points. The economic occupations of the people, the stratification of society, the political balance of power, the daily lives of plain men and women, even the appearance and character of the landscape, all underwent deep and lasting alteration.

The immediate causes of this great transformation were mainly two: (a) the opening up of new markets by the expansion

¹ In Great Britain between 1811 and 1901, the proportion of the population engaged in agriculture fell from 35 to 8 per cent. Industry, on the other hand, increased its proportion from 44 to 58 per cent. In 1881 agriculture was the leading occupational group with 12·12 per cent. of the working population. By 1921 the percentage had fallen to 6·75, while for coal-mining it was 6·74, and for the metal industries 12·87.

² In 1881 the urban population of Great Britain was 68 per cent. of the whole; in 1930 it was 80 per cent.

³ Carlyle, *Chartism*, p. 53.

of overseas trade, (b) the development of mass machine-methods of production.

(a) Of the two, the discovery of new markets comes first in time and importance. It is indeed the primary cause of the Industrial Revolution. Improved methods of production are useless unless there is an effective demand for the increased output which follows upon them. Inventors are limited by the conditions of their time and the type of economic system within which they work. An invention discovered before mankind is ready to profit by it generally perishes of neglect. Steam was known in classical times but it was only used for the most trifling purposes. On the other hand, where the need for an invention is present and the economic *milieu* favourable, the inventor will generally be forthcoming. If Watt had not invented the steam-engine in the eighteenth century, some other genius would have done so. Chance plays a smaller part in history than we suppose. And the discovery of any individual invention is due less to the appearance at the right moment of a mechanical genius than to the existence of general conditions which make the invention necessary and ensure its success.

The expansion of overseas commerce dates back to the geographical discoveries of the fifteenth century. Vasco da Gama and Christopher Columbus opened up sea communication with Asia and America, and later improvements in navigation made possible a regular sea-borne commerce between these continents and Europe. It was the demand for manufactured goods from Asia and America that gave the first stimulus to industrialization in Europe. The opening up of domestic markets by improved communications, by the building of roads and canals, reinforced the demand. Throughout its whole course, the Industrial Revolution was conditioned by developments in the methods of transport. The road, the canal, and the sailing-ship mark a definite phase which lasted from about 1700 to 1830. Thereafter the railway and the steamship begin to exert their influence. The part played by railways in the economic progress of the last hundred years can scarcely be

exaggerated. Vast hinterlands in Asia, Africa, and America which had hitherto been closed to European commerce were opened up by their means. After 1830, the Industrial Revolution enters on a new phase. The pace of change quickens; industrialism spreads its tentacles wider; and the whole world becomes tributary to the industrialized nations. This latest phase of the Industrial Revolution has not yet reached its term, but an important subdivision of it was brought to a close by the Great War. Since then, the problems of industrialism, though essentially the same, are framed in a new setting and assume a different aspect, following changes in the political and social background.

(b) The second cause, not a primary but still an important cause of the Industrial Revolution, was the spread of methods of machine production. 'Man', said Benjamin Franklin, 'is a tool-making animal.' But the machine is an advance on the tool. It is a material aid to production in which the motive-force is supplied not by the physical strength of the labourer but by some non-human power, wind, water, steam, or electricity. Already we have seen that power-driven machines were used in some branches of the textile industries. But their scope was limited. Wind and water, the two motive powers used, had grave drawbacks. Wind was proverbially capricious. Even water could not always be relied upon, and in any case it was limited by conditions of place. It could not be created on the spot where it was wanted. The machines had to be brought to the power; the power could not be brought to the machines. Steam, on the other hand, was free from all these disadvantages. It was entirely under man's control. It created its own force by means of water and coal. It was independent of locality. It could be created and applied at the place and in the exact proportion desired. The discovery of the steam-engine was the central fact of the Industrial Revolution. It made mechanized production the rule and not the exception in industry. Electricity, when it came, could work no such transformation, for the revolution was already accomplished. It could only carry the mechanization of industry a stage farther.

THE PROGRESS OF INDUSTRIALISM

Though the whole globe has felt the transforming influence of industrialism, its immediate effects have been limited to a comparatively small part of the earth's surface. The industrialized portion of Europe lies mainly in the north-west and includes about one-sixteenth of the whole area. Great Britain, France, Belgium, and Germany are the European industrialized countries. Outside Europe practically the only industrialized country is the United States. The rest of the world has remained predominantly agrarian. But it has experienced the effects of industrialism in two ways, one direct, the other indirect. In nearly every agricultural country, manufacturing industry has established itself to a certain extent, though never to such a degree as to withdraw any substantial proportion of the working population from agriculture. This is the direct effect. But the indirect effect is still more important. The economic activity of the agricultural countries has received a new orientation. Formerly their main task was to produce the necessities required for their own populations. Trade played a relatively unimportant part in their economy. It was concerned chiefly with luxuries imported for the rich. But when the industrialized countries ceased to produce food and raw materials for themselves, they had to draw them from the agrarian countries, sending manufactured goods in return. The economic relations between the nations were completely transformed. In place of a number of roughly self-sufficing national economies, there grew up a single world economy, with an international division of labour, in which the most backward agricultural countries had their place.

Each climate needs what other climes produce,
And offers something to the general use;
No land but listens to the common call,
And in return receives supply from all.¹

It was in this way that the Industrial Revolution, though limited in its immediate consequences to a few countries, had

¹ Cowper.

reactions which spread far and wide. The world became a different place to live in, not merely for the cotton-operative in his factory or the collier in his mine, but for the Danish farmer on his small holding, the Indian peasant in his rice-fields, the African negro tapping for rubber, and the Argentine cow-boy rounding up his steers.

The countries which became industrialized did not undergo the process simultaneously, but in a definite order. The first to feel its effects was Great Britain, where the commencement of the Industrial Revolution is generally dated from the middle of the eighteenth century. A number of factors explain this priority. Coal and iron are the daily bread of mechanized industry and Great Britain had rich supplies of these minerals. Her social and political system was best suited for the new economic developments. In contrast to the rest of Europe, special legal privilege was unknown in England and all citizens enjoyed equal rights before the law. The Government, though in the hands of aristocratic landowners, displayed great solicitude for the interests of trade and industry and fostered them by all the expedients which a rudimentary economic science could suggest. An efficient banking system assisted the industrious classes to accumulate capital. The home trade was unhampered by the internal tariffs which cut up the domestic markets of most Continental countries. After the Unions with Scotland and Ireland, Britain embraced one of the largest free-trade areas in Europe. Finally, and most important of all, she was the one eighteenth-century Power that possessed an extensive colonial empire. In an age when every State confined trade with its colonies rigorously to its own nationals, this meant that Britain had the largest overseas market of all European nations. In political factors lies the ultimate explanation of the early industrialization of Great Britain. It was the direct consequence of the colonial empire which she won by her maritime power.

By 1830, industrialization had proceeded such lengths that Great Britain could fairly be regarded as 'the workshop of the world'. For another fifty years she retained this position. Not

until the closing decades of the nineteenth century was her supremacy seriously challenged. Since then, the entry of other nations into the industrial field has led to a relative though not an absolute decline in her importance as a manufacturing country.

France was the second country to be industrialized. The process began in the thirties and forties of last century, but was less rapid and complete than in Great Britain. For this, a number of reasons can be assigned; the slow growth of France's population; the wars and revolutions from which she suffered; above all her weakness in coal. On the eve of the War, the coal output of France was less than a sixth of that of either Great Britain or Germany. This is the main reason why France never became industrialized to the same degree as her two great European rivals. The relative decline in her political prestige in the nineteenth century finds a partial explanation in this tardy industrial growth.

Belgium, so largely within the economic orbit of France, underwent the process of industrialization about the same time but with greater completeness. According to Dr. Clapham she was 'The one country in Europe which kept pace industrially with England in the first half of the nineteenth century'.¹

Germany did not become industrialized till the last quarter of the nineteenth century. Previous to that, her economic development had been fatally hampered by her want of political unity. Divided amongst fifty independent States, Germans saw their domestic trade strangled by internal tariffs and their country delivered over a prey to stronger neighbours. Even more than Belgium, Germany deserves to be called the cockpit of Europe. From the Reformation onwards she was the battleground of nearly every European war, some of which left ineffaceable traces on her social and economic organization. It is not surprising that her industry retained medieval forms till the middle of the nineteenth century.

The two events which rescued Germany from the consequences of her obsolete political system were (a) the Zollverein or Customs Union of 1834, which made her an economic unity,

¹ Clapham, *Economic History of France and Germany*, p. 57.

(b) the establishment of the Empire in 1871, which made her politically one. Germany now found herself a powerful united State with a large intelligent population and rich reserves of coal and iron. Within an incredibly short period, she became one of the leading industrialized nations of the world.

The marks of an industrialized State are (a) a high degree of urbanization, (b) a large industrial population, (c) an excess of imports over exports in regard to food and raw materials, (d) conversely, an excess of exports over imports in regard to manufactures. In the following table, a comparison is made in respect of these features between the industrialized nations of Europe and two selected agrarian countries. The figures are for 1930.

	<i>Percentage of population in towns over 100,000</i>	<i>Percentage of active population engaged in industry</i>	<i>Balance of imports and exports of</i>	
			<i>Food and raw materials</i>	<i>Manufactures</i>
Great Britain .	39·8	50·1	— £622 m.	+ £229 m.
France .	15·7	34·5	— £222 m.	+ £143 m.
Germany .	30·1	41·4	— £278 m.	+ £361 m.
Belgium . .	18·6	46·8	— £22 m.	+ £39 m.
Russia . .	7	6	+ £53 m.	— £56 m.
Poland . .	10·4	9·5	+ £16 m.	— £11 m.

TECHNICAL DEVELOPMENTS IN INDUSTRY

The invention of the steam-engine, or more correctly, the application of steam-power to the driving of machinery, was, we said, the central fact of the Industrial Revolution. In itself, steam was nothing new. Hero of Alexandria had known about it as far back as A.D. 50. But in these early days it was used merely to satisfy the popular appetite for miracles as when temple doors were swung open by its unseen agency. Not until the last two hundred years was steam-power harnessed to perform laborious tasks in the service of man.

The first step in this direction was taken in the late seventeenth century when a Frenchman, Papin, invented the combination of the cylinder and the piston, which is still an integral part of all steam-engines. The force of steam worked the piston up and

down within the cylinder, and this up and down movement was well suited for the work of pumping. Nearly all the early engines were used for this purpose, especially for pumping water out of mines. One type, invented by Newcomen in 1712, was extensively used in England until a very late date.¹ Newcomen's engine had two important defects: (a) it was not adapted to rotary motion and therefore could not turn a wheel and drive machinery; (b) it consumed an enormous amount of coal. The waste of fuel was mainly due to the practice of alternately heating and cooling the cylinder. When an inrush of steam had forced the piston up, a jet of cold water was squirted into the cylinder. The steam condensed, a vacuum was formed, and the pressure of the outer air on the piston-head forced it down again. These defects were removed by James Watt (1736-1819). He got rid of the waste of fuel by his device of a separate condenser. A chamber was attached to the cylinder into which the steam was admitted by valves, after the piston had made its upward stroke. Here it was cooled and condensed, the cylinder continually remaining at the same heat. This was in 1769. Watt's next important improvement was in 1782. He invented the double-acting engine, in which the force of steam was applied alternately to each side of the piston-head, so that the action of the outer air could be dispensed with. Lastly, by a complicated arrangement of cog-wheels and swivels, called the 'sun and planet motion', he adapted the piston to rotary motion. Here he had been anticipated by another inventor, Pickard, who in 1781 achieved the same result by the simpler and more direct method of the crank. Watt's cumbrous arrangement had no superiority over Pickard's. It was adopted merely to avoid infringing Pickard's patent, and has now gone completely out of use.

The inventors had done their work, but much remained to be accomplished before steam-driven machinery could come into general use. A skilled craft of machine-makers or engineers had to be created. The earliest machines were made by 'mill-

¹ A Newcomen engine was used till a few years before the War in a colliery near Glasgow.

wrights', who were drawn from a miscellaneous collection of trades, blacksmiths, wheelwrights, and carpenters. Their work never reached high standards of accuracy, and Watt complained bitterly that he was supplied with cylinders an eighth of an inch wider at one end than the other.¹ Some of the difficulties of the early machine-makers are explained in the following passage:²

It was a matter of the utmost difficulty to set an engine to work, and sometimes a matter of equal difficulty to keep it going. Though fitted by competent workmen it often would not go at all. Then the foreman of the factory at which it was made was sent for, and he would almost live beside the engine for a month or more, and after easing her here and screwing her up there, putting in a new part and altering an old one, packing the piston and tightening the valves, the machine would at length be got to work.

We have heard of a piece of machinery of the old school, the wheels of which when set to work made such a clatter that the owner feared that the engine would fall to pieces. The foreman at last gave it up in despair, saying, 'I believe we had better leave the cogs to settle their differences with one another. They will grind themselves right in time.'

The task of creating a skilled craft of machine-makers was begun by Boulton, Watt's business partner, and may be regarded as accomplished by 1851 when the Amalgamated Society of Engineers was formed, for long the foremost union in the labour world.

At the same time, steady progress was proceeding in the manufacture of engineering tools. The chief obstacle to accurate work was the impossibility of keeping a tool pressed steadily against a hard metal surface by the strength of the human hand alone. The difficulty was overcome in 1794 by the invention of Maudslay's slide rest.

This mechanical appliance [to quote Marx's description] replaces not some particular tool but the hand itself, which produces a given

¹ 'But the finest modern engineering work requires gauges true to a ten thousandth of an inch, which must be read on occasion by a micrometer reading up to a hundred thousandth part, i.e. to a two hundredth part of the diameter of the human hair.' Marshall, *Industry and Trade*, p. 208.

² Smiles, *Industrial Biography*, p. 181 and note, quoted in Usher, *Industrial History of England*, p. 328.

form, by holding and guiding the cutting tool along the iron or other material operated upon. Thus it becomes possible to produce the forms of the individual parts of machinery with a degree of ease, accuracy, and speed that no accumulated experience of the hand of the most skilled workman could give.

The influence of the slide rest, it has been stated, was as great as that of the steam-engine in extending the use of machinery. It was only one of a long series of machine tools that revolutionized the engineering industry. Other names that deserve to be mentioned along with Maudslay's in this connexion are those of Bramah, Naysmith, and Whitworth. Whitworth's great achievement was the working out of a series of standard sizes for screws. He was the pioneer of standardization and the interchangeability of parts which have done so much to simplify the making and repair of machines.

The growth of a machine industry was slow at first. In the early days the mill-owner had often to make his own machines. But by the beginning of the nineteenth century separate engineering firms were being established and in 1851 there were over 800 in existence.¹ The number of workers in the trade at this time was estimated at 504,968.² All the industrialized nations are now large exporters of machinery. The following are the figures for 1930 in thousand tons:

Great Britain	.	.	.	444·2
Germany	.	.	.	728·2
France	.	.	.	195·1
Belgium	.	.	.	70·6

The development of machinery gave a new importance to the two minerals, coal and iron. Coal has played a fundamental part in modern industrialism; and all the industrial nations except France are great coal producers. Here are the figures for 1931:

Great Britain	.	.	222,981,000 tons
Germany	.	.	263,318,000 „
France	.	.	51,063,000 „
Belgium	.	.	27,035,000 „

¹ Clapham, *Economic History of Great Britain*, vol. II, p. 35.

² Porter's *Progress of the Nation*, ed. Hirst, p. 170.

Paradoxically, coal, which is the foundation of mechanical production, is largely produced by hand labour. Coal-cutting machines have been introduced in recent years, especially in America, but the hewer with his pick and shovel still remains indispensable. Progress in mining has consisted not so much in the mechanization of coal-cutting as in the discovery of better methods of ventilating mines, of protecting against firedamp, of sinking shafts, and of raising coal to the surface. One of the most useful aids to the miner, the safety lamp, was invented by Sir Humphrey Davy as early as 1815. It enormously reduced the risk of explosion and enabled deeper and more distant seams to be worked. This problem of reaching deeper seams has now become a serious one in the older coal countries, where the coal of easy access is largely exhausted. In 1913, 81 per cent. of British coal came from within 500 yards of the surface; in 1924 only 77 per cent.¹

The history of iron is richer in incident than that of coal. In its raw state, the ore is full of impurities which have to be removed from it by a smelting process. The traditional fuel used for this purpose was charcoal. But in the eighteenth century the supply of charcoal ran short. Timber became scarce, owing to the destruction of forests and the public authorities placed restrictions on the use of a material so indispensable for the defence of the state. (These were the days when England was protected by her 'wooden walls'.) A critical situation was created for the iron industry, until the problem was solved by a revival of Dudley's process of smelting iron with coal. About 1709, an English ironmaster, Abraham Derby of Coalbrookdale, treated coal as the charcoal-burners treated wood and obtained a mineral, coke, which proved an efficient substitute for charcoal. A hundred and twenty years later, the invention of the hot blast by Neilson enabled raw coal to be used, which was of great advantage to those countries like Scotland whose coal was not suitable for coking. In this way, coal and iron became the twin foundations of industrialism.

¹ 'The easy coal in Great Britain has long been taken; production is maintained by drawing year after year from greater depths or thinner or more difficult seams.' *Coal Commission Report*, 1925, p. 122.

In other directions, the metallurgical industries made notable progress. Cheaper and more effective methods were discovered of making wrought iron and steel. The three chief types of iron are cast, wrought, and steel. The difference between them lies in the amount of carbon they contain. Cast iron has a high carbon content, steel a moderate, and wrought iron none at all. The easiest to produce is cast iron, but it is a brittle metal unsuited for many industrial purposes. When it was used in the later Middle Ages for the forging of cannon, the results were often disastrous. Wrought iron was produced by refining and hammering cast iron in a forge in order to get rid of the carbon. Steel was the most difficult metal to produce. It was necessary to arrest the smelting process just at the point where the metal contained the proper amount of carbon. The method was improved about 1740 by Benjamin Huntsman of Sheffield, but the cost of making steel remained too high for it to come into general industrial use. Only special articles like knives and sword-blades were made of steel.

The largest share of credit for the discovery of a better way of making wrought iron belongs to Henry Cort (1740-1800), though other contemporary inventors like Cranage and Onions were working along similar lines. Cort used a reverberatory furnace in which the heat of the flame *reverberated* or struck down from the roof of the chamber. This allowed the ore and the fuel to be kept separate. While the molten metal was heating, it was stirred up by a 'puddling stick' until the heat of the flame had burnt out all the carbon. The new 'puddling' process was much quicker and less expensive than the old tedious method of beating the iron with hammers.

In regard to steel, the first epoch-making invention was due to Sir Henry Bessemer (1813-98). The principle of the Bessemer process (patented 1856) is the forcing of an air blast into an egg-shaped vessel (a converter) filled with molten iron. The intense heat burns out the carbon and the mass is quickly reduced to wrought iron. Then small quantities of *spiegeleisen*, a peculiar kind of cast iron containing known quantities of carbon, are added, and the wrought iron is turned into steel.

This is an indirect method of producing steel, in contrast to the direct methods practised by the older steel-makers.

The Bessemer process had not been long in use before it was found to have a serious defect. It was only suitable for acid ores, i.e. ores that do not contain phosphorus. Phosphorus is a very deleterious ingredient in steel and the Bessemer process did not get rid of it. This greatly limited its usefulness. Most British and German ores are phosphoric, and British ironmasters had to import acid ores from Spain. But the situation was altered when in 1878 two English chemists, Thomas and Gilchrist, discovered a way of removing the phosphorus by lining the converter with lime or manganese. At once the phosphoric ores of England and the *minette* of Lorraine became available for steel-making. Great Britain, of course, benefited, but the greatest advantage was reaped by Germany, which was now launched decisively on her career as an industrial nation.

Parallel with these developments, Siemens, a German, naturalized in England, had perfected the open hearth process, in which steel was made in a reverberatory furnace. The method was slower than Bessemer's, but the progress of the metal could be watched and controlled. Siemen's took out his patent in 1861. His invention was later improved by a French ironmaster, Martin, and in this perfected form it has proved a serious rival to the Bessemer-Thomas process, having even shown in recent years a tendency to displace it. About 80 per cent. of American steel, for example, is now made in open hearths.

The latest advance in the metallurgical industries is due to experiments with alloys. By adding such substances as nickel, manganese, tungsten, molybdenum, and vanadium, a metal can be obtained lighter than ordinary steel and yet more durable. By combining chromium with steel, a stainless steel is produced, which can resist that great destroyer of the metals, rust. Perhaps the age of steel is nearing its close. 'The future seems to belong to alloys of the lighter metals such as aluminium, magnesium, and beryllium.'¹

For the present, however, a large output of iron and steel is

¹ Gras, *Industrial Revolution*, p. 127.

a characteristic of all the industrialized nations, as the following figures for 1930 illustrate:

	<i>Iron</i>	<i>Steel</i>
Great Britain . . .	6,292,000 tons	7,716,000 tons
Germany . . .	7,578,000 "	18,436,000 "
France . . .	10,035,000 "	9,447,000 "
Belgium . . .	3,365,000 "	3,364,000 "

The two developments described above, the growth of a machine-making industry and the discovery of new and cheaper ways of making iron and steel, cleared the way for the progress of steam-driven machinery. During the nineteenth century it came to dominate every branch of production. The cotton industry was the first in which it established a hold. Mechanical methods of spinning were invented by Arkwright and Hargreaves about 1770. Ten years later Crompton combined the best points of Arkwright's water-frame and Hargreaves' spinning-jenny in his mule. Then in 1787 a clergyman, Edmund Cartwright, invented a power-loom, though it was another twenty years before mechanical weaving became a practicable proposition. These machines were driven at first by water-power, but the adaptation of the steam piston to rotary motion was the beginning of a new epoch. Hitherto Watt's chief customers had been coal and metal mines, but in 1781 Boulton wrote to him, 'The people of London, Birmingham, and Manchester are steam-mill mad'. Four years later, the first engine was supplied to a cotton factory at Papplewick in Nottinghamshire. After that, the victory of steam was merely a question of time. In 1850, the British cotton industry used 71,000 h.p. of steam as against 11,000 h.p. of water. Other textiles used 34,000 h.p. of steam against 13,000 h.p. of water. By 1871 only 4.5 per cent. of the 991,000 h.p. used by British industry was water. In 1865, the world had between 11 and 12 million h.p. of steam. Thirty years later, the amount had quadrupled. Water-power had practically ceased to be used except in backward and decaying industries.

In recent years, new motive powers have come to rival steam—gas, oil, electricity. Gas and oil engines work by internal combustion. The motive power is produced by a continuous series of small explosions, like that which drives a bullet from

a gun. Electricity is steam's most formidable rival. It has many advantages. The power can be stored up and released when required. It can be carried over long distances. It helps to recreate itself. It is clean, healthy, and more economical of labour than coal. Though used principally for lighting and transport, it has been applied increasingly since the War to industrial production. America and France are the leaders in the use of this 'white coal'. The relative position of other countries is shown by the following table:

1930	Total output	Output per head of population
Great Britain	17,500 m kw.	390 kw.
Germany	28,914 „	450 „
France ¹	15,339 „	369 „
Belgium	4,100 „	509 „
U.S.A	125,000 „	1,030 „

How has mankind profited by machinery? In two ways:

(a) Machines economize man-power. A single steam horse-power, it has been estimated, does the work of fifteen men. According to Chevalier, the French economist, productive power in the cotton industry increased between 1769 and 1855 by 700 per cent.

(b) Machines perform tasks beyond the capacity of human strength, no matter how much that strength is multiplied. Handwielded hammers, however numerous, can never do the work of a single steam-hammer.

But the blessings of machinery are not unmixed. They are accompanied by several drawbacks.

(a) Machines displace hand-labour. This used to be regarded as an unqualified advantage. Dr. Ure in his *Philosophy of Manufactures* (1835) wrote, 'when capital enlists science into her service, the refractory hand of labour will always be taught docility'. But at the present day, with millions of workless men all over the world, our point of view is somewhat different. Voices are even beginning to appeal for a slowing down of technical progress, until the world learns what to do with the surplus labour it has at present.

¹ Only public establishments are included. This accounts for the relatively low figures.

(b) Machines reduce the demand for *skilled* labour and make the worker's task more monotonous.

(c) Machines intensify the worker's labour. In the most up-to-date automobile factories, the chassis of a car is placed on a moving platform which passes between two lines of workmen, each of whom puts a specific part into the car as it passes him. The workman's rate of work is determined by the motion of the platform. If he cannot keep up with it, he must drop out, and many do drop out, finding the strain too much for them. The most tyrannical foreman is not so effective as this mechanical device in keeping men working at full pitch.

INDUSTRIAL CONCENTRATION

Industrial concentration is an inevitable consequence of the steam-engine. Steam-power cannot be diffused. It must be applied on the spot where it is created. In this it differs from electricity which can be transmitted long distances; and it is interesting to speculate what course industrial evolution would have taken if electricity had been discovered before steam. More than likely, industry would have remained decentralized.¹ But steam coming first, industrial concentration became inevitable; it has assumed three main forms, (1) technical, (2) geographical, (3) financial.

1. *Technical Concentration*

The use of steam-driven machinery made an enlargement of the technical unit of production unavoidable. Expensive steam-engines could not be fitted up in small domestic workshops. They required to be concentrated in one large building, to which the workers resorted. The rise of factory production is a little difficult to trace in its early stages; so much of it went unrecorded. But one or two points are fairly clear. The earliest factories were textile factories and most of them were spinning-mills. There was a reason for this. The objection of the working classes to factory discipline was as strong as ever, so the mill-

¹ For a discussion of the advantages of decentralized industry and of the possibility of restoring it under modern conditions, see the work of the Russian anarchist, Kropotkin, *Fields, Factories, and Workshops*.

owners took the line of least resistance. They introduced factories in those branches of trade which employed women workers mainly. Spinning was traditionally a woman's employment. The male workers had a strong repugnance to entering factories themselves, but their objection did not apparently extend to their wives and daughters. The extension of factory production to weaving (a man's employment) was in every case a later development and was only accomplished after a struggle. But the masters were now in a stronger position to overcome opposition. Hand-woven goods could not compete in cheapness with the products of the power-loom, and once weaving factories were started, the doom of the hand-loom weavers was sealed. The destruction of this class is one of the gloomiest tragedies of the Industrial Revolution. It was a long-drawn-out process, covering the first half of the nineteenth century. By 1845, the power-loom was supreme in English cotton weaving. In another twenty years, it had conquered the woollen and worsted industries. On the Continent, however, hand-loom weaving survived in many textile districts till the twentieth century.

Records of the early factories are rare, but in one fortunate instance we are able to trace the progress from domestic production to the factory system step by step. Samuel Oldknow, an eighteenth-century Lancashire muslin manufacturer, started as a merchant-employer giving out work to domestic spinners and weavers, and ended as a factory owner with several mills.¹ The early factories were generally small affairs. The machines were housed in disused cornmills or old warehouses, or sometimes in a row of cottages which had been transformed by knocking down the intervening walls. When factory buildings began expressly to be built, the largest units were to be found in the cotton industry. Dale and Owen at New Lanark employed over 1,600 hands. The personnel of many Lancashire factories was over 1,000. Other industries in which large-scale units became predominant were iron-working, tin and copper-mining, glass-making, wool and flax.² In some of these, the metal indus-

¹ See Unwin, *Samuel Oldknow and the Arkwrights*.

² For details, see Clapham, *Economic History of Modern Britain*, vol. 1, pp. 184-93.

tries for example, large-scale production had been practised almost from the first. The later progress of the factory in Great Britain can be traced to some extent in the census returns. By 1871, 88 per cent. of cotton workers were employed in factories. For wool the proportion was 78 per cent. and for the metal trades 75 per cent.¹ By the beginning of the twentieth century, the victory of the factory in the textile and metal trades was complete, and over the rest of the industrial field it was the prevailing type of organization. A government return for 1930 recorded 127,768 factories in operation with a personnel of nearly 5 millions. The number of workshops was given as 103,371, with probably 3 million employees.²

On the Continent, the growth of large-scale production commenced later than in Great Britain, and in the case of some countries like France, proceeded at a slower pace. But the general trend during the later nineteenth century is unmistakable, as the following figures illustrate:³

<i>Establishments</i>	<i>Percentage establishments</i>	<i>Percentage employees</i>	<i>Percentage establishments</i>	<i>Percentage employees</i>
FRANCE	1896		1901	
Less than 4 employees	86.2	36.6	86.8	34.5
5-50 employees	12.6	27.3	12.0	25.8
Over 50 employees .	1.2	36.1	1.2	39.7
GERMANY	1882		1895	
Less than 6 employees	95.8	55.1	92.6	39.9
6-50 employees .	3.8	18.6	6.5	23.8
Over 50 employees .	0.4	26.3	0.9	36.3
BELGIUM	1896			
Less than 4 employees	93.53	36.22		
5-50 employees .	5.74	19.85		
Over 50 employees .	0.73	43.93		

¹ Usher, *Industrial History of England*, p. 362. For a survey of the progress achieved by large-scale production in Britain about 1871, see Clapham, *Economic History of Modern Britain*, vol. II, pp. 114-22.

² *Report of Chief Inspector of Factories and Workshops for 1931*, Cmd. 4098, p. 150. The number of employees in workshops is not given in the return, but can be roughly calculated by subtracting the factory population from the total manufacturing population. It should be noted (a) that the government definition of a workshop is somewhat arbitrary; it is a place where handicraft is carried on by women and children (not by men), v. Palgrave's *Dictionary of Political Economy*, vol. III, pp. 679-80; (b) a large majority of the factories in the above return employ a very small number of workers. Factories with less than 25 employees are 76.3 per cent. of the whole and employ 13 per cent. of the factory population.

³ Taken from the statistical appendix of Bourguin's *Les Systèmes Socialistes et l'Évolution Économique*, pp. 391-4.

The economic impulse behind this powerful drive towards large-scale units is the desire to benefit by the economies of large-scale production. In manufactures, an opposite tendency shows itself to that displayed in agriculture, a law of increasing, not diminishing returns. Every increase in output reduces the average cost of production. The printing of books is a common illustration. The various economies achieved by large-scale production in manufactures have been tabulated in many books.¹ They may be briefly summarized as:

- (a) Saving in the purchase and transport of raw materials owing to the large quantities used.
- (b) Possibility of adopting the best machinery.
- (c) Performance of minor processes on the same premises as the main process.
- (d) Greater efficiency in management and superintendence.
- (e) Economy of space.
- (f) Utilization of waste products.
- (g) Ability to experiment with new methods in production and in organization.

In view of all these manifest advantages, it must seem surprising that large-scale production has not achieved a complete conquest of industry. But the persistence of small industrial units is undeniable. In Germany, in 1925, there were over a million and a half small businesses with less than five employees. In Great Britain, as we have seen, the number of workshops and small factories that scarcely deserve the name is relatively large. Indeed the proportion of employers to employees is only 1·24 (1921). How can we explain the enormous vitality shown by the small workshop?

A partial explanation, of course, is that the small workshop in many cases is a mere survival. Economic tendencies require time to work out their effects, and many industries where small-scale production still prevails will eventually and inevitably be invaded by large-scale units. In the so-called 'sweated' industries, factory production is delayed just because the extreme

¹ e.g. J. A. Hobson, *Evolution of Capitalism*, p. 128.

cheapness of labour gives no economic motive to introduce machinery. But such conditions are not likely to be permanent.

This, however, is not the whole explanation. It remains true that, even in our modern industrial system, where the forces in favour of large-scale production seem so overwhelming, there are certain factors and circumstances which at times confer a superiority on small industrial units. The following are examples:

(a) Where the raw material on which an industry depends is scarce, the business unit must obviously remain small. Diamond cutting and polishing are not generally carried on in large establishments.

(b) Where there is any irregularity in the supply of the raw material, the same applies. Fish-curing is an instance. Fish-landings may be plentiful one week and fall away to nothing the next. A large establishment with heavy running expenses cannot easily bear the losses due to these fluctuations. Hence the large number of small curing establishments at all fishing ports.

(c) When demand is limited, the industrial unit is again necessarily small. An example is the high-class tailoring trade. If each customer has private tastes of his own which he wishes satisfied, there is no opportunity for mass production. Factory-made suits are not worn by men of fashion.

(d) Again, any irregularity in the demand imposes limits on the size of the business. A large establishment cannot afford to stand idle for long periods. Hence all the jobbing trades, plumbers, carpenters, house-painters, as well as repair shops of all kinds are usually organized in small businesses.

Two indispensable conditions of large-scale production are a plentiful supply of raw materials and a steady demand for one type of goods. Any irregularity in either supply or demand makes the small business inevitable. The progress of society, it is true, is constantly tending to smooth out these irregularities. Education, advertisement, the press, and the cinema are steadily making wants more uniform, while commerce and transport are always bringing fresh sources of raw material within reach. But as we can scarcely expect that *all* the factors favouring small

businesses will be eliminated in the near future, we have no right to prophesy, as some sociologists have done, the speedy extinction of the small industrial unit. The tendency to large-scale production is strong and will become stronger, but it is doubtful if it will ever be strong enough to monopolize the industrial field. The recent multiplication of small motor-repair shops is an illustration of how forces making for large-scale production in one direction (the motor industry) produce as a kind of back-wash a movement towards small-scale production in another (the repair branch).

2. *Geographical Concentration.*

The geographical concentration of modern industry is in striking contrast to its wide diffusion during the Middle Ages. The English cloth manufacture, for example, was at one time carried on in innumerable small centres scattered up and down the country. By the sixteenth century, though still remaining diffused, it was tending to settle or 'localize' itself, to use the technical term, in three geographical areas, south-west England, East Anglia, and south Yorkshire. By the middle of the nineteenth century it was almost entirely concentrated in the third of these districts. A similar concentration took place in the case of cotton. At the close of the eighteenth century, cotton was manufactured in Lancashire, Derbyshire, Nottingham, Birmingham, and Glasgow. By 1850, all these districts save Lancashire had either ceased to make cotton or had confined themselves to special lines; e.g. Paisley spins cotton thread. Within both Lancashire and Yorkshire a further concentration has taken place in the different branches of the textile manufacture.

Preston and Blackburn weave, Bolton and Manchester spin fine yarns, Oldham and Ashton coarse yarns. And within these general divisions there is a further specialization in types of goods. In the West Riding by general contrast the division is based on the product, i.e. one district performs all the processes of one product. Thus Bradford, Halifax, and Huddersfield specialize in worsteds; Leeds and other towns in woollens; the Dewsbury district in shoddy; and there are further subdivisions as in the cotton industry.¹

¹ Fay, *Great Britain from Adam Smith to the Present Day*, p. 299.

Every shrinkage in the geographical area occupied by the textile industries has been accompanied by a rise in their output. And this is true of industry as a whole.

The factors which draw industries to particular districts are mainly five.

(a) Proximity to supplies of raw material. The Yorkshire woollen industry is established near a wool-producing district; Lancashire, through the port of Liverpool, can receive supplies of raw cotton by sea; the iron industries of South Wales and the Clyde settled near deposits of the raw ore.

(b) Motive power is another magnet. In the days of water-power, factories established themselves on mountain streams. With the development of steam, they migrated to the coalfields.

(c) Climatic conditions have a certain influence, though not a decisive one. The most notable instance is the cotton industry which found the damp climate suitable for it in Lancashire and Renfrewshire.¹

(d) Access to markets is another factor. The presence of a huge population like that of London inevitably leads to the foundation of special industries in its neighbourhood, especially for the production of perishable goods.

(e) Transport is all-important. Without proper means of communication, localization would be impossible. A localized industry of necessity produces in excess of the needs of its own district and must be able to send its products far and wide. At the same time, developments in transport tend to weaken some of the particular forces making for localization. There is no longer the same necessity to settle near supplies of raw material when they can be brought cheaply and swiftly by rail; and access to markets ceases to be of the same importance when processes of preservation and refrigeration enable perishable goods to be sent thousands of miles.

Two further points about localization are worth noting.

(a) An industry may remain localized in a district even though the original circumstance which attracted it there has dis-

¹ The necessary humidity can now be produced artificially by a mechanical humidifier.

appeared. In South Wales, after the iron ore was exhausted, Welsh ironmasters carried on with imported ores. The reason was that coal was still to be had and, as it takes about three tons of coal to smelt one ton of iron, it was cheaper to bring the iron to the coal than the coal to the iron. Other influences which help to keep a localized industry in its original place of settlement are the growth of subsidiary trades, the presence of a skilled population, and other *external* economies of large-scale production, as Marshall called them, in opposition to the *internal* economies which we noted on p. 310.¹

(b) The second point is that industries tend to be attracted by the same factors and therefore to settle in the same districts. Hence the growth of industrial as contrasted with agricultural regions; a national division of labour corresponding to the international specialization between industrial and agricultural countries. Coal is a magnet which draws all industries, and it has been said that 'depicted geographically the industrialization of Britain is a laying of population and enterprise upon areas which had coal underneath'.² The same is true of other industrialized countries. The industrial regions of the world—the Black Country in England, Clydeside in Scotland, the Ruhr in Germany, the Lille area in France—all centre round coal-fields. Their unlovely features are painfully familiar to us—dense industrial populations; smoky factory towns; mills, collieries, iron forges, railway sidings, in endless succession; the fair face of nature scorched and blasted by the foul breath of industrialism.³ They are the centres of all that is progressive in economic life from the productive point of view. But socially, they stand for something more retrograde. In them are focused all the intricate problems to which industrialism has given birth. They are the breeding-grounds of discontent and class hatred, and the homes of revolutionary movements which have for their object the overthrow of the existing economic order.

¹ Marshall, *Principles of Economics*, p. 266.

² Fay, *op. cit.*, p. 260.

³ In the *Old Curiosity Shop*, chap. xiv, Dickens gives a vivid description of an English industrial district about 1840.

3. *Financial Concentration.*

In the early period of industrialism, the technical and the financial units in industry generally coincided. Few mill-owners possessed more than one mill, and the common type of business was the one-man firm or the partnership. These small concerns lacked continuity. The death of the principal or of an important partner often brought them to an end. And, moreover, their capital resources were limited. Working capital might be obtained from the banks, but capital for the extension of the business had to be supplied by the head of the firm himself. There was some point in describing the creation of capital at this time as due to *abstinence*. The first race of factory owners lived plainly and put all their savings back into the business. 'Like bees they saved and accumulated, not less to the advantage of the whole community because they themselves held narrower ends in prospect.'¹ But industry could never have expanded to its present limits if industrialists had been tied down to their own resources. Some device was necessary to enable them to tap the savings of the community and turn into fruitful channels funds that would otherwise be idly hoarded. Such a device was found in joint-stock enterprise.

In a joint-stock company, the ownership of the business is divided up among a large number of small proprietors who are 'sleeping' partners, so to speak. They supply the capital and share in the profits, but they leave the management in the hands of a small committee of directors. New capital is obtained by making fresh emissions of shares, and as there is no limit to the number of shareholders in a public company, the possibilities of expansion are only limited by the capacity of the enterprise to make profit. We have seen how the technical unit of industry has expanded. The financial unit has expanded still more, until the two are no longer identical, a financial unit usually controlling a greater or smaller number of technical units.

Joint-stock enterprise dates back to the sixteenth century, but

¹ J. M. Keynes, *Economic Consequences of the Peace*, p. 16.

it is only within the last fifty years that it has been applied on any scale to industry. The early joint-stock companies were mainly monopolistic organizations like the Bank of England or the East India Company. They were hated on account of their monopoly. They were regarded as occasions for corruption and dishonest finance. And in the view of many observers they were inefficient organizations only suited for routine trades.¹ The unpopularity of joint-stock companies led governments to impose restrictions on their formation, and the English Bubble Act (1720) made it necessary for them to obtain a royal or parliamentary charter, a tedious and expensive proceeding. In 1825 this condition was relaxed and an Act of 1844 simplified the formalities attending the formation of companies. But one important disability was retained. Members of companies were still held liable to the full extent of their fortunes for the company's debts. In these circumstances, a company had little advantage over a partnership. If joint-stock enterprise was to make progress, the concession of limited liability was absolutely essential.² France was the first to recognize the principle in 1807. Great Britain followed suit in 1855 and Germany in 1872. Thereafter, the growth of joint-stock enterprise was steady and in recent years it has been exceptionally rapid. The following figures apply to Great Britain:

	<i>No. of Companies</i>	<i>Total Capital</i>
1885	9,844	£494,910
1900	29,730	£1,600,000
1914	64,692	£2,532,000,000
1930	113,327	£5,534,000,000

Not all the advantages claimed for joint-stock enterprise are well grounded, e.g. the claim that it has diffused the ownership of capital. The ownership of capital was always diffused. What joint-stock enterprise did was to concentrate the *management* of it. The industrial capitalist is now able to augment his own resources with those of a multitude of small investors. Nor are joint-stock companies, as is sometimes alleged, examples of demo-

¹ This was Adam Smith's view; see *Wealth of Nations*, Book V, chap. i, pt. 3.

² In a limited liability company, shareholders are only responsible for the company's debts to the extent of their shares.

cracy in business, though a general meeting of the shareholders is nominally the supreme authority. Provided a comfortable dividend is declared, the shareholders follow the directors like sheep, even in making appointments to the board itself. Most boards of directors are practically self-elected. Not democracy but oligarchy is the name for this kind of government.

One or two weaknesses in joint-stock enterprise fall to be noted. Companies are not generally so efficiently run as smaller firms. Responsibility is too diffused and red-tape interferes with rapid decisions. Adam Smith was right in prophesying that joint-stock companies would succeed best in routine trades (like banking and insurance), and it is to such trades that joint-stock enterprise is mainly confined. In what the Germans call *konjunktur* industries, i.e. industries liable to sudden fluctuations, in which prompt decisions are called for, the older forms of business organization are found still to be the most suitable.

Another unfortunate result of joint-stock enterprise is that industry is subordinated to the financier, just as formerly it was subordinated to the merchant. With a few notable exceptions, the leading figures in the industrial world to-day are men who have no technical knowledge of industry but who are able to control it through financial companies in which they have interests. Such a state of things can hardly make for industrial efficiency. Some of the recent attempts to unite under one financial control totally unrelated businesses, resulting in the creation of amorphous combines that have little chance of life, may be set down to the unfortunate influence of the financier.

Lastly, joint-stock enterprise has brought with it that dubious figure, the company promoter. It should be said at once that the *genuine* company promoter has a useful part to play in the modern economic system. It is he who directs the flow of capital towards new and profitable enterprises, which would otherwise languish for want of resources. Some directive force of this kind is absolutely necessary if economic progress is to be maintained.¹ But the chief agent in this process usually exacts

¹ For an appreciation of the activities of the honest company promoter see Marshall, *Industry and Trade*, pp. 329-33.

a high price for his services. When he has set an enterprise going and turned it over to a freshly formed joint-stock company, he walks off with most of the future profits capitalized in his pocket. And then he has emulators who have neither his ability nor his honesty. All the company laws passed in the last fifty years have not provided the small investor with adequate protection against the sharks who prey upon him, profiting by his ignorance, his shortsightedness, and, it must be added, his greed. Despite the efforts of legislators, company promoting is still the easiest and safest way of robbing the public.

INDUSTRIAL COMBINATIONS

In the formation of gigantic businesses through combinations or mergers of separate firms, all the tendencies towards industrial combination which we have been describing reach their climax. Combinations are of two kinds, *vertical* and *horizontal*. In a vertical combination a number of firms at different stages of an industry, and performing different processes, come together. Fusions of this kind are extremely common in the metal trades. Most iron and steel firms control the whole process of production from start to finish. They have iron and steel mines, iron and steel works, and establishments for the manufacture of iron and steel products. For this type of amalgamation there can be nothing but praise. It organizes and co-ordinates the work of industrial units which, though separate, are yet intimately related, and it corrects, by a measure of integration, the excessive specialization to which modern industry is prone.¹ It is, in short, one of the best examples of what is now called *rationalization*.

With regard to horizontal combinations, a favourable judgement is less easy. These take place among firms at the same stage of production, performing the same processes; amongst competitors, that is to say. An amalgamation of this type will undoubtedly be able to realize all the economies of large-scale production and will in most cases lead to a cheapening of costs.

¹ Cf. the work of the sixteenth-century clothier in co-ordinating the separate efforts of spinners, weavers, dyers, &c.

But it is exceedingly doubtful if this benefit will be passed on to the public. By eliminating or reducing competition, the combine removes the consumer's chief safeguard. The whole advantage of a monopoly is the ability to charge more than competitive prices. Horizontal combinations raise serious issues for society. If pushed far enough, the tendency may not only lead to cruel exploitation of consumers by producers but may entirely alter the basis on which the existing economic system rests. Capitalism under a régime of trusts will necessarily be something very different from capitalism under a system of free enterprise.

The growth of industrial combinations is a comparatively recent development in Europe, hardly dating back earlier than the twentieth century. Germany is the country in which the tendency has made most rapid progress; the State, the law, and to some extent public opinion regarding the movement with approval. Since the War, German industry has undergone a very complete process of trustification, in part under government auspices.¹ In France trusts are comparatively rare, large-scale production having made slower progress there than elsewhere, but the metal industries have one powerful combine, the Comité des Forges. In Great Britain the law-courts will not enforce agreements in restraint of trade. Trusts, therefore, though not illegal in the sense of being criminal, have yet no legal standing and cannot bring actions in a law-court. A party to an industrial combination, who breaks away, cannot be sued for breach of agreement. His colleagues can only rely on his honour and good faith. Despite this handicap, industrial combination has made considerable progress since the War. Some notable mergers have taken place, such as the formation of the chemical 'supertrust', Imperial Chemicals, in 1927. And the State has assisted the tendency by establishing something very like a government cartel in the coal industry (1930). Nevertheless, there is no reason to believe that British industry has become trustified. The Balfour Committee was able to report reassuringly in 1927 that 'though many notable examples

¹ For details see Walter Meakin, *The New Industrial Revolution*, 1928.

exist, consolidations cover but a small proportion of industry as a whole'.

The extent to which *international* combines have been formed is a singular feature of modern industry, singular when we consider how strong are the present forces making for economic nationalism. It is extremely significant when the instinct of self-preservation among producers is so powerful as to make them ignore considerations of nationality and patriotism. One observer has reckoned nearly fifty world combines in 1931.¹ Amongst them the International Steel Cartel occupies a leading place. It was formed in 1926 between France, Germany, Belgium, and Luxemburg. In the following year Czechoslovakia, Austria, and Hungary were admitted.² This industrial alliance between former enemies suggests the reflection that if only internationalism can be linked up with immediate economic advantage, it may yet be able to hold its own against the many influences working in the other direction.

INDUSTRIAL CRISES

A singular and perplexing feature of modern industrialism is its liability at regular intervals to catastrophic disturbances. These fluctuations are definitely *periodic*. Once in every decade or so, an economic blizzard sweeps the world. The following are the dates of the main crises of the last century:

1825	1866	1890
1847	1873	1900
1857	1882	1907
1921	1929-31.	

In addition to being periodic, the crises are international. This feature has become accentuated with the years. The 1825 crisis was almost purely British. The next three crises were confined mainly to Britain and France. After 1873 the United States and Germany came to be involved, while the crises of

¹ Curtis, *Trusts and Economic Control*, pp. 427-8.

² Great Britain did not come in till 1935 owing to the smallness of the quota offered her.

the twentieth century can be described without qualification as world-wide.

The external signs and symptoms of a crisis are well known. A period of flourishing trade, lasting for four or five years, is suddenly turned into a period of acute depression, lasting roughly the same length of time. The crisis takes place at the intersection of the two periods. It is preceded by a spell of exceptional business activity. Producers are full of confidence; prices are rising; so are wages, profits, and the price of industrial shares; unemployment practically disappears; every industry is working at full pressure. The succeeding period of decline displays exactly the opposite symptoms. The business world is stricken with panic, gradually passing into lethargy; prices and profits tumble; wages and salaries are cut; industrial shares sink in value; output falls off; unemployment spreads through all sections of the working community. The crises are rightly called *industrial*, because it is mainly industry that is subject to these violent fluctuations. Agriculture naturally feels the reaction, but does not vary its activity or its output to the same extent.

To what are industrial fluctuations due? This is a question to which no completely satisfactory answer can be given. The number of suggested explanations is large. A German economist in 1895 enumerated 230, and there have been many since. But none can be said to account for all the facts. Each leaves something unexplained.

The principal theories about crises can be conveniently arranged in four groups.

(a) One school of economists attribute crises entirely to monetary causes. And facts can be adduced in support of this view. During the boom period that precedes a crisis, money is plentiful. Bankers advance credit on easy terms, putting additional purchasing power into circulation and strengthening the tendency to rising prices. But once the peak point of prosperity is passed, they exert their influence in the opposite direction. By withdrawing or restricting credits they curtail purchasing power, causing a crash in prices and a slowing down of business

enterprise. In the one case bankers help to send prices up; in the other to bring them down. It is tempting, therefore, to lay the blame for industrial fluctuations at the door of the banks, and to argue that a monetary or credit policy which aimed at keeping prices steady would reduce the danger of crises.

It is probably true that a stable price-level would diminish the risk of fluctuations, but it is exceedingly doubtful if it would eliminate them altogether. As we shall see when examining the other theories, more factors than rising and falling prices go to the production of crises. Moreover, the action of the bankers, in which the supporters of this theory see an explanation of industrial fluctuations, is really only a symptom of them. Bankers advance credits easily during the boom period, because they share the confidence which is infecting the whole business community. And they cut down their advances during the slump, because they are affected by the general panic. But this explains nothing. What we want to know is why business conditions produce such opposite frames of minds at different times. The action of the bankers is no more a cause of crises than the high temperature of a patient is the cause of fever.

(b) A second group of theories find the explanation of crises in *over-production*. Industry has enormous productive powers. For a period of years (the boom period) it goes on producing in excess of demand. Then a halt has to be called until the accumulated stocks are worked off. This is a very popular explanation of crises, but there are serious difficulties connected with it. Since the days of J. B. Say (1767-1832), economists have decisively rejected the notion that *general over-production* is possible. Goods exchange against goods. If all producers double their output, the same ratio of exchange is maintained, and there is no crisis. On the contrary, the world is richer and more prosperous than before. The over-production which causes fluctuations, then, must be *partial*, i.e. confined to certain trades. But that is difficult to reconcile with the general depression that affects all trades during a crisis. A further perplexity is that prices rise during the period when, according

to this theory, industry is producing in excess of demand. By all the canons of economics they ought to fall.

(c) A variant of the foregoing theory attributes crises to *under-consumption*. This explanation has found much favour with socialist writers like Sismondi and Marx. According to this view, while the productive capacity of industry is constantly augmenting, the consuming power of the working classes remains stationary or tends to fall (through low wages, unemployment, &c.). Hence industry, at regular intervals, has to come to a pause, till the glut of goods is worked off.

The difficulty about this theory is that it does not explain the *periodicity* of crises. If, as this theory assumes, under-consumption is chronic, why should not industrial depression be chronic also? Moreover, why should a crisis due to under-consumption show itself immediately after a period when employment has been plentiful and wages high—in other words, when the consuming power of the working classes has been at its highest? And how are the accumulated stocks of goods to be worked off during the depression period, when the power of the working class to consume is lower than ever, owing to cuts in wages and unemployment?

(d) A last group of theories explain crises by *over-capitalization*. The fixed capital of society is always in process of wearing out. When it is no longer able to satisfy the demands of consumers, producers set about replacing it. This takes time. Machinery, factories, railways, ships, &c., cannot be created in a few weeks. For a fairly long period demand will be in excess of supply and prices will rise. Then the new capital comes into action, and the market is flooded with goods. A break in prices follows, and prices continue to fall until the cheapness of everything stimulates consumption, or until the failure of firms in the general *débâcle* curtails output.

What this theory omits to explain is the *generality* and *simultaneousness* of crises. The fixed capital used in different industries does not take the same time to wear out or to replace. Textile machines can be manufactured more rapidly than railways and steamships. A factory can be run up in a shorter

time than a mine can be sunk. How then is it that over-capitalization affects all industries at the same moment? The theory might explain a periodic crisis in *each* industry, but not one that affects all industries simultaneously.¹

THE LABOUR PROBLEM

The most important social consequence of the Industrial Revolution was the creation of a new class of permanent wage-earners, the industrial workers, or, as socialist theorists call them, the proletariat. Nothing precisely parallel to this class had existed before. There were wage-earners under the guild system, but they were temporary journeymen on their way to become masters. There were permanent wage-earners under the domestic system, but they enjoyed a certain amount of industrial freedom, and besides they were scattered in a way that prevented their developing a class-consciousness. The modern proletariat, on the other hand, is concentrated in factory towns and subjected to a strict industrial discipline. Its members share a common lot, suffer from similar grievances, and cherish the same hopes and aspirations. It cannot help, therefore, becoming class-conscious. European society now contains a violent disturbing element which, up to the present, it has been unable completely to assimilate.

From the first, the proletarian has had an animus against industrialism. In its early stages it condemned him to inhabit an insanitary house, amid squalid surroundings; it forced him to work long hours; it curtailed his freedom; it exposed him to unemployment either through the progress of machinery which made his labour redundant or else through periodic world-wide depressions in trade. The daily sight of classes living in security and comfort, even in luxury, sharpened his discontent with his own uncertain position and low standard of life. And he nursed in his heart a sullen wrath against society.

¹ For the unorthodox view that there is no such thing as a rhythmical movement in trade (a trade cycle), and that each crisis is a separate event due to particular circumstances, see G. D. H. Cole, *Industry and Trade*, p. 83, and *The Intelligent Man's Guide through World Chaos*, pp. 329-43

For more than a century efforts have been made by legislation and private philanthropy to render the workman's lot easier and to reconcile him to his subordinate position. His housing conditions have been improved by municipal building schemes; his working hours have been shortened by factory laws; the rigours of unemployment have been tempered by State-aided schemes of social insurance; profit-sharing and co-partnership have been encouraged to help on the transition from industrial autocracy to industrial democracy. But none of these attempts have achieved their purpose. At no time has the proletariat been reconciled to the existing order, and his hostility seems only to have become accentuated with every rise in his standard of life. This fundamental opposition has expressed itself in various ways. Sometimes it has taken the form of wild revolutionary outbursts like the Luddite Riots (1812) or the revolt of the Lyons silk-weavers (1831) or the insurrections of the Parisian workmen in 1848 and 1871. Or it has shown itself in the steady pressure of trade union action, seeking to improve the wage contract and secure better conditions and shorter working hours. Or it has taken the form of political activity when, after the institution of universal suffrage in most European countries, labour and socialist parties came into existence. 'Politics and trade unions are like the right and left legs upon which the proletariat marches' (Sombart). There is no space to relate the history of the European labour movement, either on its political or its industrial side.¹ It is only referred to here as a proof of the deep fissure which the Industrial Revolution has created in European society. The proletariat is a class in permanent opposition to the existing economic order. Social disharmony and class-antagonism are the bitter fruits of industrialism.

¹ For a short account see Birnie, *An Economic History of Europe, 1760-1930*, chaps. viii and ix.

THE GROWTH OF THE POPULATION OF EUROPE

By PROFESSOR A. M. CARR-SAUNDERS

OUR knowledge of the population of Europe at the present day is derived from the censuses which are now taken in every European country. A census may be defined as an enumeration of those within a certain area on a certain date. But to distinguish a modern census from the kind of enumeration that was sometimes practised in past times it is necessary to amplify the definition. The enumeration must be complete; that is to say, it must take into account persons of both sexes and all ages and must not omit the members of any special classes and castes or persons performing particular functions, whether occupying privileged or inferior positions. The primary object of the enumeration must be mere counting; it must not be conducted with fiscal, military, or any other similar objects in view, though the results may be of use for these and other purposes. Again, it is of the essence of the matter that a modern census is taken periodically, since it aims not merely at an enumeration on any one date, but also at successive countings from which information as to the movement of the population may be obtained. Thus defined, a census is a modern institution. A Bill was introduced in 1753 providing for the taking of a census in England, but, after passing through the House of Commons, it was rejected by the House of Lords. It was not until 1801 that the first census of Great Britain was carried out; thereafter it has been repeated every ten years. In 1831 the census was for the first time fully applied to Ireland. Though England was a pioneer in this matter, the credit for taking the first census of a modern kind must be given to the United States of America. Owing to a clause in the constitution which apportioned the seats in the House of Representatives according to the population of each constituent state, it was necessary to obtain accurate figures. A census was taken in 1790 and has been repeated at intervals of ten years. The practice of taking

a census was adopted by most European countries between 1820 and 1870; Russia was the last European country to be added to the list; the first complete census of that country was taken in 1897.

Enumerations were not unknown in the ancient world. It will be remembered that David ordered Joab to number the people; what Joab did, however, was to count the number of 'valiant men that drew the sword'. The purpose of that enumeration was military. In ancient Egypt there was at one time an enumeration which took note of the occupations of the people; the object was in this case to keep a check upon immoral or undesirable occupations. Whatever the original aim of the Greek countings may have been, they came to be conducted with the object of constructing an electoral roll. Chinese enumerations had fiscal aims mostly in view. In origin the Roman census would seem to have been political; it was designed to make it possible to divide the people into centuries. But the Roman census came to be an instrument of taxation; 'There went out a decree from Caesar Augustus that all the world should be taxed.' It is true that the word which is translated 'taxed' in the Authorized Version is translated 'enrolled' in the Revised Version; but it is clear that the enrolling was only a prelude to taxing. These ancient enumerations were therefore not censuses; they were seldom complete and their primary aim was not counting for counting's sake.

It is rare to find in the Middle Ages anything that can be called an enumeration of the kind that was not uncommon in the ancient world. The survey of England, conducted in 1086 and known as Domesday, was a sort of inventory of the nation, the object of which was to ascertain the fiscal rights of the king. It contains incidentally much information from which may be estimated the population of the country. Apart from such surveys as this, we have to rely upon the returns in connexion with taxes such as the hearth tax which was levied in many countries. The difficulties of forming any estimate of population from such data are formidable; we require first to know whether or not the returns cover all hearths or only a propor-

tion and, if so, what proportion. Having estimated the number of hearths, it is necessary to find a factor by which to multiply the number of hearths in order to get a figure for the population. We can also use data that was collected in connexion with manorial administration or for military purposes; at a later date there is sometimes information which was collected in order to ascertain the number of adherents of different religious denominations. The obstacles in the way of using data of this kind are still greater; they seldom refer to more than a small area, and it is necessary, after having estimated the population of the area in question, to ask how far the area was representative of the country as a whole before they can be used as a basis from which to calculate the population of the country. From the sixteenth century onwards we get some information from registers of baptisms and burials. It is seldom, however, that they give complete records of all births, and when they do so, the population can only be calculated by the dubious method of assuming a certain ratio between births and population.

The modern practice of census-taking did not come into being immediately after the period of which we have been speaking. Between the end of the seventeenth century and the early nineteenth century there are examples of enumerations which may be regarded as forerunners of the modern census. In 1665 a quinquennial enumeration by families was begun in New France. In France in 1579 and in Sweden in 1686 records of births and deaths were made compulsory. A kind of census was carried out in Sweden in 1749 and in Austria in 1754. Several of the smaller Italian States took a census in the eighteenth century. It was out of these beginnings that the modern census arose.

It was not until the end of the seventeenth century that efforts were made by contemporary authors to employ the available material and to attempt to estimate the population of Europe. From that time onwards such attempts have often been repeated. For earlier times the data have been examined for the first time only in our own day; those who have worked at the problem have not only discussed the population before

the seventeenth century, but have also revised the estimates of contemporary writers for later times in the light of modern knowledge. Julius Beloch¹ is the most prominent worker in this field, and in what follows use will be made of his studies of the problem.

Beloch is also well known for his studies of the population of Greece and Rome in classical times, but his conclusions in this field need not detain us here. For the period under consideration we are indebted to him for two very carefully based estimates—one for the beginning of the fourteenth and one for the beginning of the seventeenth century. These estimates refer to western Europe only; material for eastern Europe is so scanty that no more than a vague guess regarding the population of that part of the continent can be made. It is certain, however, that the population in that quarter was sparse. As a preliminary to the consideration of his two estimates it is interesting to note that he has sketched the probable course of population in Europe from classical times to the date of his first estimate. He puts the population of Italy, Spain, and Gaul at 30 millions at the opening of the third century A.D. He considers that at that date we may estimate 10 millions for Britain, Scandinavia, and Germany to the right bank of the Rhine. This gives an approximate figure of 40 millions for western Europe. Thereafter the population decreased, reaching its lowest point about 700. Recovery was slow until 1000. By the latter date it may have reached 35 millions—most of the loss having been by then made up. The increase then became more rapid until at the beginning of the fourteenth century it reached its highest point for the Middle Ages. This is the period which Beloch has selected for a careful examination of the relevant data.

The nature of the data available for making a calculation of the population of Europe at this period, and the methods employed for using it may be illustrated by some examples. For England there is Domesday, relating to the end of the

¹ Julius Beloch, 'Die Bevölkerung Europas im Mittelalter' (*Zeitschrift für Socialwissenschaft*, vol. iii, 1900, p. 405) and 'Die Bevölkerung Europas zur Zeit der Renaissance' (*ibid.*, p. 765).

eleventh century, and the figures derived from the poll tax of 1377. Inasmuch as the beginning of the fourteenth century is the period under consideration, it is upon the poll-tax data that attention must be concentrated though the results of Domesday provide a certain check. Taking the latter first, it is estimated that there were 1,400,000 inhabitants in the area covered by the Domesday survey. A guess must be made for the towns and the four counties which were omitted. A figure of 100,000 is estimated for them, and thus a total of 1,500,000 for England is reached. This is a useful basis; we know from many sources that the population increased considerably during the next three hundred years, and we are entitled to say that by the year 1300 a figure from one and a half to twice that of the late eleventh century is to be expected. The poll tax of 1377 gives about 1,400,000 persons over fourteen years of age. The proportion of the population under fourteen may be taken as a third of the total population, which gives a figure of about 2,100,000. An addition must now be made for those not subject to tax; they may be put at 20 per cent of the taxed population, and this raises the figure to about 2,500,000. A further addition is required since the population of Chester and Durham is omitted from the returns; these areas were no doubt on the average somewhat more lightly peopled than the rest of the country, and the necessary addition may be estimated at 100,000. Thus we arrive at a grand total of about 2,600,000 for England in 1377. What was the figure for 1300? The population was increasing up to the Black Death in 1348; it then suffered very heavy losses which, however, began to be made up in the years immediately following the plague. It seems on the whole reasonable to assume that the population in 1300 was about the same as in 1377, and thus we arrive at 2,600,000 for the date under consideration. For Wales, Scotland, and Ireland we have no information relating to this period upon which we can found any estimate. Information becomes available for these countries for the first time some centuries later; all that can be done is to take the estimates for the later dates founded upon this information and work backwards. From

our knowledge of the changes which took place between 1300 and the period to which these estimates refer we can deduce that the population must have increased somewhat, and thus we can say that the total population for the three countries must have been in the neighbourhood of a million and a half. It cannot have been much greater than this because it increased in the following centuries. Again, from what we know of social conditions it is unlikely to have been much less. In this manner a total of about 4 millions is reached for the British Isles.

For France we have the information collected in 1328 in connexion with the hearth-tax. The total number of hearths was just under 2,500,000, but certain areas were omitted. There is little doubt that in the country districts a hearth corresponded to a family, but it is not altogether clear that the same can be said of towns. Assuming, however, that we have the number of families, it remains to multiply them by the average number in a family. Beloch multiplies by five, though others have taken a slightly higher factor; but there is evidence that the fertility of France was rather low even at that date. This gives a population of about 12 millions. It is necessary to make an allowance for the areas omitted, and for that purpose 2 millions may be added. Thus we get a total of about 14 millions. In regard to Spain there is somewhat similar information derived from hearth-tax returns for Catalonia and Aragon. Assumptions have to be made as to how far the results for these two provinces are typical for the whole peninsula.

It is not necessary to illustrate further the nature of the data or the use made of them. Admittedly there must be a considerable margin of error in any total reached. But this must not be understood to mean that a total twice or half that reached here is possible; this is not one of those fields of speculation where the data may, with some show of reason, be made to yield wholly different results. It is certain that the total does represent the condition of things in Europe as a whole well enough to make it possible to say something as to the rate of growth during succeeding centuries in the light of the more accurate information for later dates. It is also certain that the

figures for the different countries do illustrate real differences in the total amount and the density of their populations. The figures for the year 1300 may be summarized as follows:

TABLE I

Estimated Population of Western Europe in 1300

<i>Country</i>	<i>Population</i>
British Isles	4,000,000
France	14,000,000
Provence, Dauphiné, Lyon	1,000,000
Spain and Portugal	6,000,000
Italy	11,000,000
Germany (including the Netherlands)	15,000,000
Denmark	1,000,000
Sweden	600,000
Norway	300,000
Total	52,900,000

If Beloch's figure for the end of the eleventh century, which he puts at 35 millions for western Europe, be accepted, the population of western Europe as a whole increased about 50 per cent in the following three hundred years. This is not at all an unlikely result. In some countries the rate of increase was greater; in England it was about 70 per cent in the same time. This implies that in certain places the population was more or less stationary. We have seen that there is reason to believe that by 1000 the population of western Europe had regained the total at which it stood in the third century A.D. Thereafter it pressed forwards to new high levels. But it was not merely that the population increased as a whole; its centre of gravity underwent a change. In Roman times the population was most dense round the shores of the Mediterranean; by 1300, though northern Italy was still one of the most densely populated areas in Europe, there had grown up a new centre of dense population in Brabant, Flanders, and the Paris basin.

Beloch's second estimate refers to about the year 1600. Eastern Europe is again omitted; Poland is the only country which can be included from among those left out of the previous estimate. The Middle Ages are now behind us, and the change in atmosphere is well illustrated when we come to look for statistical data. It is not that there is as yet census material,

but those other sources of information, to which reference was made above, are present in considerable quantity for most countries. Thus we have information for most areas relating to a date close to 1600, and we do not have to rely upon information for certain countries relating to a date some half century or more distant as was the case when making the estimate for the year 1300. Moreover, we have also for many countries data from the fifteenth and sixteenth centuries, and thus we can check the results derived from a study of the facts for about the year 1600. As might be expected, the richest material comes from Italy; as an incidental result of the high degree of political organization and of intellectual activity in that country there have come down to us many records which are of use for our purpose. The countries about which it is most difficult to say anything with an approximate degree of certainty are England and Germany. The difficulty in the case of the latter arises from the minute political subdivisions. In the case of the former it is lack of material which is the cause of the trouble. We possess some material for the number of communicants in England and Wales for the year 1603. But there is reason to think that the records are very incomplete. The most satisfactory method of estimating the population of England and Wales at this date is that used in the census report of 1841. There a calculation is made for the year 1600 by working back from the data of the census in 1801 with the use of the parish records of baptisms and burials. It is unnecessary to say anything further about the nature of the data or of the use made of them. Beloch's analysis is summarized in Table 2.

While nothing can be said with any degree of certainty about the population of the rest of the Continent, it is probably not far from the truth to put it at about 25 millions, which brings the total to 100 millions. Looking back at the estimate for the year 1300 it will be seen that the rate of growth of the population during the three intervening centuries was not very rapid. It was about 32 per cent in the three hundred years between 1300 and 1600 as compared with some 50 per cent between 1000 and 1300. As we already pointed out for England, it is

unlikely that there was any net increase in population during the fourteenth century owing to the Black Death and other factors. Similarly, there was probably little or no increase in that century in other European countries. The Hundred Years War, for example, wrought considerable devastation. By the middle of the fifteenth century population was, however, once again on the upward grade, and most of the estimated increase during these three hundred years took place during the last half of the time.

TABLE 2

Estimated Population of Western Europe in 1600

<i>Country</i>	<i>Area (in sq. kilom.)</i>	<i>Population</i>	<i>Density (per sq. kilom.)</i>
Italy . . .	295,000	13,000,000	44
Spain and Portugal . .	585,000	10,000,000	17
France . . .	470,000	16,000,000	34
England and Wales .	150,000	4,500,000	30
Scotland and Ireland	160,000	2,000,000	12.5
Netherlands .	75,000	3,000,000	40
Denmark . . .	40,000	600,000	15
Sweden, Norway, and Finland	1,080,000	1,400,000	1.3
Poland and Prussia .	210,000	3,000,000	14
Germany .	720,000	20,000,000	28
Total .	3,785,000	73,500,000	

The average density of population of that part of Europe included in the table works out at about 50 per square mile. When it is remembered that the density of the population of the world as a whole to-day is only about half this figure and that this density is considerably greater than that of the United States at the present time, it will be realized that western Europe was already a relatively crowded area three hundred years ago. If we look at the densities of the different countries, we find that Italy and the Netherlands come at the top of the list. They are followed by England and France. It will be seen that, although the population was between three and four times as great in France as in England and Wales, the densities are much the same for both areas. It is sometimes forgotten that France is very much larger in area than England and Wales and that the latter have come only in modern times to

have a population about equal to that of France because they now support a very much denser population.

It is of some interest to take note of the political as distinguished from the geographical distribution of population. Regarded from this point of view the French and Spanish Powers head the list. The former had some 16 millions, whereas if to the 8 millions in Spain and the 2 millions in Portugal there is added the population of the rest of the Spanish dominions, we get a total of about 18 millions. The Imperial Power counted under its control some 4 millions in the estates of the crown of Bohemia, 2 millions in the Austrian Alpine region, and perhaps a million in the western regions and in that part of Hungary which was not under Turkish rule. The Polish Power may have included somewhat fewer persons. Next comes England, and after it the Republic of Venice. It is at once apparent how close the connexion was between the power and prestige of states and the number of their subjects; the parts played in international affairs by the different countries were roughly in proportion to the size of their populations.

In the latter half of the seventeenth century we get the first estimates of the population of Europe made by contemporary writers. In 1685 Vossius gave 30 millions as the figure for Europe. He assigned 5 millions to France, 2 to Spain and Portugal, and 2 to the British Isles. He does not say upon what evidence these figures were based. It is obvious that they are gross under-estimates. Vossius was in fact one of the earliest of that school of authors who sought to prove that the population of Europe in his time was far inferior to that of Europe in classical times. He estimated, for example, the population of Rome in classical times at 14 millions. His work is of no value for our present purpose and may be entirely rejected. It is worthy of mention, however, as showing the general ignorance of the facts which made it possible for so fantastic an estimate to be seriously advanced.

About the same time two other authors made estimates of the population of Europe which were based upon evidence that was relevant and which therefore demand some attention.

The method used by Gregory King, whose work was performed in 1696, though it was not published until much later, was as follows. He estimated the number of acres per person in the different countries in Europe and then calculated from the acreage of these countries their populations. Under the conditions of his time this was not an unreasonable method to employ. In this way King got a total figure of 100 millions for Europe. But he was wrongly informed about the areas of the different countries, and if his densities are applied to the true areas, the total comes out at 141 millions.

Finally, we have the estimate of the Jesuit Riccioli made in 1661. He arrived at his figure by summarizing all the available information. He seems to have exercised care and common sense in his use of data and his results are gathered together in the following table.

TABLE 3
*Riccioli's Estimate of the Population of Europe
in the Seventeenth Century*

<i>Country</i>	<i>Population in millions</i>
Italy (with Sicily and the adjacent islands).	10 to 11
Spain (with Portugal and Sardinia)	10
France	19 to 20
Great Britain and Ireland	4
Lower Germany, Holland, and Zealand	4
Upper Germany	20
Illyria, Dalmatia, Greece, and the Islands	10
Macedonia, Thrace, and Moesia	6
Poland, Lithuania, and Pomerania	6
Denmark, Gotland, Sweden, Norway, Livonia, and other northern lands	8
Total	97 to 99

It will be seen that the estimates of Beloch for 1600 and of Riccioli for the second half of the century arrive at the same total, namely about 100 millions. We know that Riccioli's figures for certain countries were somewhat wide of the mark, those for Great Britain for instance. But the totals for the various countries are in general agreement with those of Beloch. More than half a century, however, separates the estimates. What do we know of events during this period? It is usually thought that the population of Spain was on the decrease; that

is probably not so; it is more likely to have been stationary. Germany was devastated by the Thirty Years War and may have lost rather than gained. England suffered somewhat under the Civil War and was also visited by plague. Plague in fact was prevalent in many European countries during this century, and putting all these considerations together, it is unlikely that the population of Europe increased as a whole. Thus, though the agreement between the estimates of Beloch and of Riccioli may be, up to a point, a matter of chance, there is reason to think that the population of Europe at the end of the seventeenth century was about the same as at the beginning. The total may be put at round 100 millions.

For the middle of the next century we have an estimate of the population of Europe by Süssmilch. Süssmilch was a Protestant chaplain in the army of Frederick the Great. He has been called the father of demography, and well deserves that title. He devoted himself to collecting and analysing population statistics of all kinds and he expended the greatest care on his labours. Good common sense is evident in his work; he was a prominent opponent of the school which held that the population of Europe was declining and that Europe had been more densely peopled in classical times. His religious convictions led him to look for law and order in the realm of vital statistics, and he regarded regularity of phenomena in this field as a proof of the divine ordering of society. The first edition of his great book, *Die göttliche Ordnung*, was published in 1741; a second and revised edition appeared twenty years later. His final estimate for the population of Europe was 130 millions. This estimate has been carefully examined by Professor Willcox, among others, and has been amended in the light of information that was not available to Süssmilch. Professor Willcox finds that his figures for western European countries were too low and those for eastern European countries too high.¹ The necessary adjustments having been made, the total works out at 140 millions.

¹ Walter F. Willcox, 'The Expansion of Europe in Population' (*American Economic Review*, vol. v, 1915, p. 742).

This figure may be taken as approximately correct. For the year 1800 it is possible to get a figure for which the margin of error is still less. By that time the census had not come into general use, but it is possible to work back from the census figures which became available for dates early in the nineteenth century, and thus to reach totals about which there cannot be much doubt. The figures for Europe during the nineteenth century have been assembled by Sundbarg in a convenient form and his results will be used here. For the population of Europe in 1800 he gives a total of 187 millions, for 1850 266 millions, and for 1900 400 millions.¹ In 1930 it was 506 millions.

With these figures before us it is possible to say something concerning the increase of the population of Europe. We found it to have been somewhere in the neighbourhood of 50 per cent. for the three hundred years from 1000 to 1300, and about 32 per cent. in the following three hundred years to 1600. Between 1600 and 1930 it increased five-fold, from 100 millions to 500 millions. But if it is true that the population of Europe was stationary during the seventeenth century, the whole of this multiplication occurred in two hundred and thirty years. There can be no great certainty about the figure of 100 millions for 1700; but if it is accepted then the percentage increase for the next four half centuries is as follows: from 1700 to 1750 37 per cent., from 1750 to 1800 36 per cent., from 1800 to 1850 42 per cent., from 1850 to 1900 51 per cent. It may perhaps be held to be unlikely that the percentage increase was higher in the first than in the second half of the eighteenth century and that in all probability the population of Europe in 1700 was underestimated. However that may be, it does not affect the main result that there has been an unprecedented increase of population in Europe during the last two centuries and that this increase was in full swing by 1750 and probably began about the year 1700. Increase of population has not been confined to Europe during the last two centuries, but it has been more rapid there than elsewhere. In 1750 the population

¹ Gustav Sundbarg, *Aperçus statistiques internationaux*, 10th year, 1906.

of Europe formed about 21.0 per cent. of the population of the world, whereas in 1900 it formed about 26.3 per cent. Europe has thus become from this point of view relatively more important. When we remember that during this period there has been a great migration of Europeans to countries overseas, it is clear that the last two centuries may be regarded as having witnessed a vast expansion of Europe.

This expansion has not been equally shared by all the constituent countries of the continent. There is no country the population of which has not shown a large increase. Thus in France, where the rate of increase was lowest during the century, the population increased 45 per cent. between 1800 and 1900. The other countries which increased less than 100 per cent. were: Austria-Hungary, Switzerland, Italy, Spain, and Portugal. Russia showed the largest increase, namely 189 per cent., and Great Britain and Ireland stood high in the list with 155 per cent. increase. As a result of these different rates of increase some countries have gained and some have lost relatively to others. These changes are illustrated in Table 4, which is taken from the work by Sundbarg already mentioned.

When interpreting Table 4 it should be understood that the areas of the countries are those which they had in 1900. The changes are therefore not due to territorial adjustments. The decline in the relative importance of some countries is very marked; thus France had over 14 per cent. of the population of the continent in 1800 and under 10 per cent. in 1900. Russia has gained most, while Great Britain and Ireland rose from under 9 per cent. to over 10.5 per cent. The last lines on the Table are designed to show how the various quarters of the continent have fared. By eastern Europe is meant Russia, Hungary, Galicia, Bukovina, Bosnia, Herzegovina, and the Balkan States; western Europe is divided into two parts, the south-western including France, Italy, Spain, and Portugal. It will be seen that eastern Europe has gained at the expense of western Europe, and that of two constituent parts of western Europe the north-west has gained at the expense of the south-west.

TABLE 4

*Proportion of the Population of Europe formed by
various European countries in 1800 and 1900*

(Population of Europe equals 1,000)

Country	1800	1900
Russia	203.2	273.9
Germany	131.0	140.7
Austria-Hungary	130.0	117.7
Great Britain and Ireland	88.4	105.3
France	143.9	97.3
Italy	96.9	81.1
Balkan States	62.5	54.0
Spain	61.5	46.6
Belgium	16.0	16.7
Portugal	16.6	13.5
Holland	11.5	12.9
Sweden	12.6	12.8
Switzerland	9.4	8.3
Finland	5.6	6.6
Denmark	5.2	6.4
Norway	4.7	5.6
Other States	1.0	0.7
North-western Europe	336.0	360.6
South-western Europe	319.6	239.0
Western Europe	655.6	599.6
Eastern Europe	344.4	400.4
Total	1,000	1,000

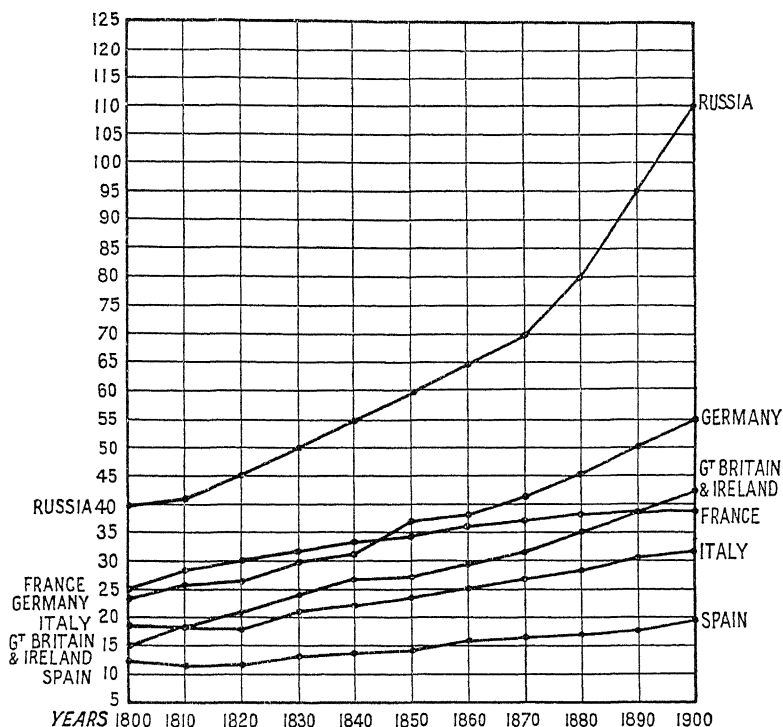
Thus far we have alluded to these changes from two points of view; we have mentioned that all countries have gained absolutely in numbers while at the same time making it clear that some have shown relative losses in the sense that they have come to form a smaller part of the population of the whole continent. Both these sets of facts can be shown on a single graph if the growth of population for the principal countries is traced.

It should be made clear that once again the populations of the countries, as shown in the graph, are those found within the frontiers as they existed in 1900. The graph brings out the sweeping advance of Russia on the one hand and the sedate progress of Spain on the other. We see the British Isles passing first Italy and then France. We notice that Germany passes France about the middle of the century, and that towards the

end of the century Italy is tending to come up to the level of France; if the graph was extended so as to bring it up to the present time, we should find Italy on a level with France.

*The increase of Population in certain European Countries
1800 to 1900*

Millions of Population



It is impossible to miss the coincidence between these changes and the trend of international affairs. It would be to go beyond our province to suggest how far cause and effect are at work, but it is significant that friction between Germany and France became prominent just at the time when the population of Germany came to exceed that of France. So too at the present day there is tension between France and Italy; and the latter country is passing France just as Germany did some eighty years previously.

Having carried this sketch of the history of the growth of the population of Europe up to 1900 it is now convenient to look into the underlying causes. It will become apparent that it is only when we have done so that the history of the last thirty years and the situation at the present day can be dealt with. The immediate cause of any change in the population must be sought in changes in the birth-rate or in the death-rate. So long as these rates coincide the population remains stationary. If the former comes to exceed the latter, the population is said to show natural increase; if the latter exceeds the former, it undergoes natural decrease. In Europe during the Middle Ages and up to the eighteenth century the birth-rate was high. In England and some other countries of Western Europe, however, it was not as high as it would have been if all had married young, and there is definite evidence that the dependent part of the population, and that was by far the greatest part, married later than they came to do in the eighteenth century. They married later not from choice but from necessity. The settled life of the rural districts did not permit the marriage of young couples until a house became vacant by death. In the towns early marriages were deliberately discouraged by guild and other regulations. Postponement of marriage by the greater part of the population had the effect of keeping the birth-rate down; we do not know at what height it usually stood, but it was probably under 35 per 1,000 in Western Europe as a rule. For the most part a high death-rate about balanced a high birth-rate; if plague, famine, or war increased the death-rate, the loss was soon made up by earlier marriage. The mechanism by which gaps of this kind were filled can easily be understood. We have also to explain the slow but steady growth of the population of the continent up to the beginning of the eighteenth century. The same gap-filling mechanism accounts for it. The improvement in agricultural and industrial technique was very slow, but it was more or less continuous. This improvement meant the creation of new opportunities of employment and, as new opportunities arose, the pressure making for postponement of

marriage was somewhat relaxed and the population increased in consequence.

This condition of affairs gave way in the eighteenth century to another régime. The birth- and death-rates ceased to run approximately parallel; they diverged until the former exceeded the latter to such an extent that the population increased at the rate of 1 per cent. per annum or even more quickly. This divergence was partly due to a rise in the birth-rate but mostly to a drop in the death-rate. The course of these rates is not known with accuracy until about the middle of the last century, because it was only in 1837 in England, and usually later in other countries, that registration of births and deaths was made officially. Before that time we have only the parish records of baptisms and burials; these records are not complete in two senses. They are not available for the whole country; and for those districts for which they are available, they are not complete, because the births and deaths of those not belonging to the established church were not recorded. Nevertheless, enough is known to justify certain broad generalizations.

The birth-rate rose from a level of about 30 per 1,000 round 1700 to about 35 per 1,000 towards the end of the century. This rise may be attributed to the breaking down of all those restrictions which had formerly militated against early marriage in the dependent part of the population. The whole structure of social life became less rigid. Guild regulations ceased to be operative; men became free to take up such occupations as they wished and to marry as soon as they pleased. But the bending down of the death-rate was even more marked than the upward trend of the birth-rate, and the divergence of the two rates was more due to the drop in the former than to the rise in the latter. The decline in the death-rate was the result of the progress in medical science and of its application to the needs of the people as a whole. Great improvements were made in sanitation; the first half of the century saw the founding of many hospitals, while the multiplication of dispensaries was one of the features of the second half of the century.

Coincidentally with this increase in population came a great increase in the opportunities for employment due to all those changes which have been summed up as the Industrial Revolution. In England this multiplication of people came at an appropriate time. It would be to go beyond the limits of this sketch to discuss how far there was a causal connexion between the increase in the number of persons seeking employment and the growth of new openings for employment. But it may be pointed out that, while the rise in the birth-rate may perhaps be regarded as a response to changing conditions, the same cannot be said with certainty of the fall in the death-rate. The rise in the birth-rate was due more or less directly to changes in the social and industrial structure; but the connexion between these changes and the fall in the death-rate was remote. It may be said indeed that in the last resort both industrial changes and improvement in medical science were due to the rise and progress of scientific investigation; but it can hardly be argued from this that, so far as the increase of population was due to a fall in the death-rate, it was a response to changing conditions. It is worthy of note that from 1790 onwards the population of Ireland increased for half a century even more quickly than that of England, while the opportunities for employment did not increase at all. It is therefore at least clear that it should not be assumed that there is a natural and inevitable harmony, population increasing as the need for more people grows.

It may be said in a general way that the story of the expansion of the population of other western European countries ran on much the same lines as that for Great Britain. It is not possible to examine the story in detail in its early stages because of the absence of registration data, to which reference has been made. But from about the middle of the last century we have full information concerning most western European countries. We find that birth-rates ruled in the neighbourhood of 36 per 1,000 and that death-rates stood somewhere about 26 per 1,000. Thus the rate of growth of the population of many countries was about 1 per cent. per annum.

About the beginning of the last quarter of the nineteenth

century the story enters upon a new phase marked by the decline of the birth-rate. The decline in the birth-rate first made itself apparent in England about 1876; it was observed in other western European countries before the end of the century and in southern and eastern European countries during the present century. Wherever the decline has set in, it has continued down to the present day. To some small extent the decline is due to later marriage; it is possible that physiological causes are at work and account for some small part of the decline. But in the main it is clear that the decline is due to the growth of the practice of family limitation. Since this is the main cause of the decline, the new phase is marked by one very important characteristic: the gap-filling mechanism no longer works. If men want small families, no matter whether or not employment for a larger population is being created, the new gaps, when they appear, will not be filled in the future as in the past. It is very roughly true to say that in the past population was like a spring, kept down, not by the limit of food, but by the limit of profitable employment. In the future this will not be so as long as the present phase endures. The new phase is also marked by a decline in the rate of the growth of population. For some time after the beginning of the decline in the birth-rate the death-rate continued to fall at about the same pace and therefore the gap between the two curves remained about the same. But the death-rate could not continue to fall at this pace and, as the birth-rate has gone on falling, the rate of increase has declined until in some western European countries the population is almost stable. The decline in the rate of increase began to manifest itself soon after the beginning of the present century, and that is why it is appropriate to treat the present century as marking a new chapter in the history of the population of Europe.

In 1930 the population of Europe was 506 millions as compared with 400 millions in 1900. At first sight this increase of 106 millions might seem to contradict what has just been said. But the rate of increase of the continent during the present century has been less than between 1850 and 1900, when it

approached 1 per cent. per annum on the average. Moreover, the rate has declined as the century has advanced. Rapid increase is now confined to certain countries of southern and eastern Europe. In 1929 the following European countries alone showed a rate of increase greater than 1 per cent. per annum: Bulgaria, Spain, Lithuania, Holland, Poland, Portugal, Roumania, and Russia. With the exception of Russia, where the rate was 2.2 per cent. per annum, no country was increasing at a rate of over 1.5 per cent per annum. The decline in the rate of increase is due to a decline in the birth-rate, which has fallen between 1901-5 and 1928-9 by 15 per cent. in France to 47 per cent. in Germany. It can be safely prophesied that within the next two decades the population of most northern and western European countries will have ceased to increase; increase will continue longer in the south and east because the fall in the birth-rate began later there. But all European countries are following the same path; very large decreases in the birth-rate have recently been reported from Russia. The end is not in doubt; the present phase will see an end of the expansion of Europe in population.

When stabilization comes about, the relative situation of the European countries will not be as it is now because increase will continue longer in the east than in the west. Year by year the south and especially the east are becoming numerically relatively more important. Thus at the present time the population of Europe without Russia is about 380 millions and it receives a net annual addition of about $2\frac{1}{2}$ millions by natural increase. The population of Russia in Europe is 135 millions and it receives a net annual addition of about $3\frac{1}{2}$ millions by natural increase. But the east is only regaining what it has lost through the earlier multiplication of numbers in the west.

One other aspect of the growth of the population of Europe requires notice. Its population has not only increased *in situ*; it has overflowed. How many Europeans left to take up permanent residence overseas it is not possible to say. The magnitude of the movement is evident from the fact that between 1820 and 1930 some 38,000,000 aliens migrated from

overseas into the United States of America. It has been calculated that, in addition to the 498 millions living in Europe, there were in 1929 164 million persons of unmixed European stock living outside Europe. Of these 164 millions, about 110 were found in North America, 30 in South America, 3 in Africa, 13 in Asia, and 7 in Oceania. The coming cessation of increase of population in Europe will no doubt mean that the European settlements overseas will be little reinforced by migrants in future. If they are to continue to grow in numbers, it must be through their own natural increase without help from elsewhere.

THEORIES OF POPULATION¹

(I) CLASSICAL

THE Greeks were much concerned with the problem of population, as is evident from their literature and their legislation. Their interest was not religious or moral; it was not economic unless that term is used in so wide a sense that it loses its particular significance. The Greeks were interested in the social aspects of the population problem; they desired social stability above all else. They proposed to achieve their ends through state control; and among other things population was to be brought under regulation. The social harmony which they sought was thought to be menaced by uncontrolled breeding; it seems that the swarming millions of Asia appeared to them as a monstrous and morbid overgrowth. The dominating thought is that numbers must be limited and kept stable in the interests of social order and harmony; the only approach to any economic interest is the recognition, which sometimes makes itself apparent, that riches are not indefinitely extensible. On the other hand, while certain very important aspects of the whole matter were left out of account, the interest of the Greeks was not narrow; they were concerned, not only with numerical problems, but also with qualitative problems. For them it was

¹ The chief authorities are: C. E. Stangeland, *Pre-Malthusian Doctrines of Population*, Studies in History, Economics and Public Law, Columbia University, vol. xxi, 1904; R. Gonnard, *Histoire des Doctrines de la Population*, 1923.

not enough that there should be the right number of people; there must also be the right kind of people.

Among the practical measures which were taken to achieve these ends colonization holds a prominent place. Though there was more than one motive behind the planting of colonies, it was mainly regarded as a protection against overcrowding at home. Many states attempted in various ways at different times to hold population in check by legislation. The exposure of children was certainly widely practised and was not forbidden. Late marriage was commended as an effective method of limiting numbers. It is, however, through their literature that we can best gain some idea of Greek thought on these matters.

Certain authors, such as Hippodamus of Miletus, whose works are lost but some of whose proposals are known through the intermediary of later writers, favoured a stationary state and therefore control of numbers. But it is to Plato and Aristotle that we must look, since their discussions are the most important which have come down to us. In the *Republic* the most interesting suggestions are those which concern the control of breeding; Plato was impressed with the analogy of the selection of domestic animals and the improvements resulting therefrom. In the *Laws* we find the well-known proposal to limit numbers in the ideal city-state to 5,040. The State was to watch the position and to take measures whenever numbers deviated from this total. If numbers became excessive, there was to be colonization; but Plato seems to have thought that large families would be kept down by practices such as infanticide. If numbers dwindled, fecundity could be stimulated or recourse could be had to immigration. Aristotle advocated stricter regulation of marriage; in his opinion Plato's proposals would not prevent an indefinite multiplication of citizens, which was above all things to be avoided. Numbers should not be left to chance, as they were according to Aristotle, in the states of his day. The stationary state was the ideal, to attain which constant effort was needed.

To the Romans the ideal of an ordered and stable society made no similar appeal, and we find no speculations of interest

to us in their writings which we possess. To them population was a practical problem, and at all times in Roman history the need experienced was for greater numbers of men. In republican and in imperial times alike efforts were made to increase population; the results achieved by these efforts are matters of dispute, though it would not appear that any of the measures taken were ever followed by any considerable degree of success.

(2) MEDIEVAL

In the Middle Ages the moral aspects of the problem were uppermost; indeed, other considerations were almost wholly left out of account. The morality was Christian. Celibacy was the state most to be admired. 'For why', says Tertullian, 'should we be eager to bear children, whom, when we have them, we desire to send before us . . . desirous as we are ourselves, too, to be taken out of this most wicked world. . . . Therefore whether it be for the sake of the flesh, or of the world, or of posterity, that marriage is undertaken, nothing of all these necessities affects the servants of God.'¹ But, as St. Paul said, though he, who marries not, does better, he who marries does well; marriage was in fact commended for most men, and, since it was to be permanent and since all irregularities met with the sternest disfavour, Christian morality was not unfavourable to multiplication in spite of the approval of celibacy. This is so although no concern is expressed as to the situation which would arise if all were strong enough to take the better way. 'I am aware', says St. Augustine, 'of some that murmur. What, they say, if all men should abstain from sexual intercourse, whence will the human race exist? Would that all would thus . . . much more speedily would the City of God be filled and the end of the world hastened.'²

St. Thomas Aquinas sums up the medieval views. Though influenced by Aristotle in regard to some matters, he has no interest whatever in population as a problem of social organiza-

¹ Tertullian, *Writings* (ed. Roberts and Donaldson, 1869), vol. viii, p. 285.

² St. Augustine, *On the Good of Marriage* (*Seventeen Short Treatises in the Library of the Fathers*, 1847), p. 285.

tion to be solved by action on the part of the state. A dense population accords with the good of the family and also with the needs of the community. '*Quae familia plus multiplicatur in prolem, amplius cedit ad firmamentum politiae.*'¹ He remarks that the largest cities are the most prosperous. '*Civitates, quod quanto magis abundant in gente, tanto majoris potentiae, et famosiores judicantur.*'² He adds that they are not less easy to govern because they are large. While defending celibacy as the state of greatest perfection, he says that marriage is admissible and suitable for most men. In fact the individual who refrains from marriage knows that they who do likewise will never be numerous and therefore that numbers, which it is desirable to maintain, will not be endangered.

Though such views ruled in Christian Europe up to the end of the Middle Ages, it is possible to point to some curious passages which are not representative of their age and foreshadow opinions which made themselves heard effectively only at a later date. Thus Tertullian, when confuting the Pythagorean theory of the transmigration of souls, points out that, if true, the number of men must remain unchanged. This, he says, is not so.

We find in the records of the Antiquities of Man³ that the human race has progressed with a gradual growth of population. . . . Surely it is obvious enough, if one looks at the world as a whole, that it is becoming daily better cultivated and more fully peopled than anciently. All places are now accessible, all are well known, all open to commerce; most pleasant farms have obliterated all traces of what were once dreary and dangerous wastes; cultivated fields have subdued forests; flocks and herds have expelled wild beasts; sandy deserts are sown; rocks are planted; marshes are drained, and where once were hardly solitary cottages, there are now large cities. No longer are savage islands dreaded, nor their rocky shores feared; everywhere are houses, and inhabitants, and settled government, and civilized life. What most frequently meets our view is our teeming population; our numbers are burdensome to the world, which can hardly supply us from its natural elements; our wants grow more

¹ Quoted by Garnier, *op. cit.*, p. 81.

² *Ibid.*, p. 82.

³ Probably an allusion to a work by Varro.

and more keen, and our complaints more bitter in all mouths, while nature fails in affording us her usual sustenance. In very deed, pestilence and famine and wars and earthquakes have to be regarded as a remedy for nations, as a means of pruning the luxuriance of the human race.¹

This passage could be paralleled many times over from recent and contemporary discussions, but it stands isolated in the literature of its age. So too do certain passages from the *Songe du Vergier* usually attributed to Raoul de Prellès (1314 to 1382 or 1383.) The work takes the form of a discussion which touches more than once upon the population problem. Various views are expressed by those who take part; one of the participants, for instance, holds that the world is sufficiently peopled for social needs—a point of view foreign to nearly every other medieval reference to the matter.

(3) FROM THE SIXTEENTH CENTURY TO MALTHUS

From about the beginning of the sixteenth century references to population become frequent. As we meet them it emerges that the medieval interest in the moral and religious aspects has faded away. The matter is discussed in a new and different atmosphere. The aspect to which attention is first drawn is essentially the political aspect; as time goes on, however, more purely economic considerations come into view. It is also worthy of notice that occasionally there is a reversion to the attitude of the Greeks in classical times since population is sometimes discussed as a social problem. The treatment of these matters by Sir Thomas More recalls that of Plato. The state is to take measures to ensure that the populations remain stable and in so doing is to impose severe regulations upon families. Some forty-five years before the publication of *Utopia* Patrizzi had approached the matter from much the same point of view. In the seventeenth century we find in the work of Campanella an echo of the interest of the Greeks in the regulation of the quality as well as of the quantity of the population. Campanella employed the same analogy of the selective breed-

¹ Tertullian, *op. cit.*, vol. ii, p 481.

ing of farm animals and proposed the regulation of human unions.

Views of this kind, however, are not typical of the age when they were expressed. Nearly all those authors who touched upon the population problem in the sixteenth and seventeenth centuries were under the influence of nationalism. Their attention was concentrated upon the emergence and consolidation of the great European states, and population was considered by them in its bearing upon the welfare of these states. They seldom undertook any analysis of the relation of numbers to individual welfare. They were usually of the opinion of the author of the book of Proverbs: 'In the multitude of people is the King's honour: but in the want of people is the destruction of the prince.'¹

Thus Jean Bodin writing in 1597 said that 'il ne faut jamais craindre qu'il y ait trop de sujets ou trop de citoyens: vu qu'il n'y a richesse ni force que d'hommes'.² Henry IV of France is reported to have said that 'the strength and riches of kings consist in the number and opulence of their subjects'.³ In the following century Frederick the Great delivered himself of similar opinions. 'Cet axiome est certain, que le nombre des peuples fait la richesse des états.'⁴ When writing to Voltaire he remarked that he regarded 'men simply as a herd of deer in the park of a great noble, which has no other function than to people and fill the enclosure'.⁵

Such sayings were repeated many times by authors of the sixteenth, seventeenth, and eighteenth centuries. They were founded upon the simple observation made by Montesquieu: 'Il n'y a que les grandes nations qui aient des armées.'⁶ They were supported, or seemed to be supported, by the fact that the most sparsely populated countries were poor. The riches and the teeming population of the Netherlands were much commented upon. As we shall see, these simple views did not go

¹ Proverbs xiv. 28.

² Quoted by Garnier, *op. cit.*, p. 102.

³ Quoted by Stangeland, *op. cit.*, p. 103.

⁴ *Ibid.*, p. 131.

⁶ Montesquieu, *Grandeur et décadence des Romains* (1846), p. 130.

⁵ *Ibid.*

unchallenged, and analysis was sometimes pushed farther. But they continued to be widely held and frequently expressed during these three centuries; this is in part due to the fact that the theory of mercantilism was favourable to a dense population and that at a later date the physiocrats came to a similar conclusion about the benefits of density. Thus the 'common-sense' views of politicians were apparently supported by observation and received approval from those concerned with theory.

The mercantile theory was the product of reflection upon the birth and growth of nationality. Local organization and local economic regulation was being replaced by state-wide organization; large and compact national organizations were coming face to face with one another, and between them was commercial rivalry and competition, since they often pursued ends between which there was no accommodation. Under these circumstances it was held that states must make and keep themselves secure in the realm of trade. For this purpose it came to be thought that each nation must obtain as large a quantity of the precious metals as possible; if they could not be produced within the territory of the state, they must be obtained by exchange. To obtain them goods must be manufactured at home; and if more goods were sent out of the country than were brought in, the difference would be paid in gold and silver. Therefore a large population was required to produce the articles that were to be exchanged.

Mercantilist authors almost invariably advocated a large population. Sir William Temple wrote: 'I conceive the true and original ground of trade to be great multitude of people crowded into small compass of land.'¹ In the opinion of Sir Charles Davenant

people are the real strength and riches of a country; we see how impotent Spain is for want of inhabitants, with their mines of gold and silver, and the best ports and soil in the world; we see how powerful their numbers make the United Provinces, with bad harbours, and the worst climate upon earth. It is perhaps better that a people should want country, than that a country should want people.

¹ Sir William Temple, *Works* (1770), vol. 1, p. 183.

When there are but few inhabitants, and a large territory, there is nothing but sloth and poverty; but when great numbers are confined to a narrow compass of ground, necessity puts upon them invention, frugality and industry; which, in a nation, are always recompensed with power and riches.¹

The following extracts are taken from Sir Josiah Child: 'whatever tends to the populating of a kingdom tends to the improvement of it;'² 'most nations in the civilized parts of the world are more or less rich or poor proportionately to the paucity or plenty of their people and not to the sterility or fruitfulness of their lands.'³

The advantages of a dense and growing population were so generally believed in that attempts were frequently made to increase population by legislation. Marriage was often encouraged by the remission of taxation, and we are reminded of the similar attempts which were made in imperial Rome. Celibacy was discouraged by taxes on bachelors. Grants were sometimes given to parents of large families. Most continental nations, in fact, deliberately sought to increase their populations by every means in their power.

It is not, however, the case that growth of population was always everywhere welcomed. The situation was such in certain countries at different times as to raise doubts about the advantages of growth and high density. In England about the middle of the sixteenth century a fear of over-population is distinctly manifested by several authors. They had in mind the circumstances which gave rise to the famous Elizabethan poor law. In the latter half of the sixteenth century Holinshed reported that there were some

affirming that we had already too great store of people in England; and that youth, by marrying too soone, do nothing profit the countrie, but fill it full of beggars, to the hurt and utter undoing (they saie) of the commonwealth. . . . Certes, in some men's judgement, these things are but trifles and not worth regarding. Some also do grudge

¹ C. Davenant, *Political and Commercial Works* (1771), vol. i, p. 73.

² Josiah Child, *A New Discourse upon Trade* (1751), p. 134

³ *Ibid.*, p. 136.

at the great increase of people in these daies, thinking a necessary brood of cattell farre better than a superfluous augmentation of mankind.¹

These views were repeated by others who wrote during the next hundred years; but from the middle of the seventeenth century onwards this pessimism can no longer be detected in England. Somewhat later similar pessimistic opinions were frequently expressed in Germany—a fact which is no doubt to be traced to the deplorable conditions which prevailed at the time. In France alone confidence in the desirability of large numbers never seems to have been shaken during these centuries.

These doubts were merely the reflection of the times; those who expressed them had not for the most part penetrated more deeply into the matter than those who held opposite views. But a careful scrutiny of the literature shows that from the sixteenth century onwards some writers began to explore farther into the problem. Owing perhaps to the fact that allusions to population were incidental to other considerations, no coherent body of opinion grew up; it is difficult to trace any development of theory because most writers were in ignorance of what others had said. Nevertheless, as we pass in review the literature of the three centuries before Malthus, we find a growing tendency to delve below the surface and a refusal to be content with the superficial opinions to which we have alluded. In the second part of the eighteenth century discussions of this kind became common, and we shall find that there was hardly one important observation made by Malthus that had not been made before—usually many times. The true merit of Malthus lay not so much in any new discovery as in the impressive manner in which he presented a striking but not an original thesis.

It does not demand any profound insight to observe that population is in some manner related to the food supply; nevertheless the nature of the relation was not explored by the authors hitherto quoted. The examination of the link between

¹ Quoted by Stangeland, *op. cit.*, p. 111.

them is the beginning of wisdom in the building up of anything that can be called a theory of population. To Machiavelli (1469-1527) is apparently to be ascribed the credit for making the first definite reference to the link between population and the supply of food. He lays down that there is a limit set to the growth of numbers by the productivity of the soil. It is very desirable in his opinion that colonies should be available to receive the surplus population; if this mode of relief is absent, the surplus will be removed by pests, famines, and other scourges. Though he envisages the possibility of excessive numbers, he does not show great apprehension on this account.

About a hundred years later Giovanni Botero (1540-1617) made a contribution that is remarkable having in view the time at which he wrote.

I say then, that the augmentation of Cities proceedeth partly out of the virtue generative of men, and partly out of the virtue nutritive of Cities. The virtue generative is without doubt to this day the very same, or at least such as it was three thousand years past. Forasmuch as men are at this day as apt for generation, as they were in the time of David or Moses. So that if there were no other impediment or let therein, the propagation of mankind would increase without end, and the augmentation of Cities would be without terme. And if it do not increase in infinitie, I must needs say, it proceedeth out of the defect of nutriment and sustenance sufficient for it.¹

Later he continues:

although men were as apt to generation in the height and pride of the Roman Empire, as in the first beginning thereof; yet, for all that, the people increased not proportionately. For the virtue nutritive of that Citie had no power to go further. . . . By the selfe same reason, mankind growne to a certain complete number, hath growne no further. And it is three thousand years agoe and more, that the world was replenished as full with people as it is at present.²

In this passage the problem is posed correctly in its essential aspects. Botero recognized that the power of men to reproduce their kind is immense and does not grow less; nevertheless,

¹ Botero, *A Treatise concerning the Causes of the Magnificence and Greatness of Cities* (trans. R. Peterson, 1606), p. 93.

² Ibid., p. 94.

numbers do not increase as they might, and this is because the food supply is limited. But he left the matter there; he did not inquire into the mechanism whereby numbers are held in check.

The next step was to push a little farther the observations made by Botero. If the reproductive power is likened to a spring held back by the limited amount of food available at the time, we reach a conception that may be called the 'iron law of population'. This conception was in the minds of many authors in the late seventeenth and eighteenth centuries. It may be traced in Fénélon. It was most fully expressed by Mirabeau. 'La mesure de la subsistance', he says, 'est celle de la population.'¹ By this he means that there are always as many men as the food supply will support. 'Ils multiplient comme les rats dans une grange, s'ils ont les moyens de subsister.'² He was greatly impressed by the power of reproduction; losses are soon made up. But he also stressed the effect of population upon the food supply; he seems to believe in an almost indefinite increase in food as the result of the labour of an increased number of men. 'Augmentation de subsistances, accroissement de population; nous allons voir comment accroissement de population doit faire accroissement de subsistances.'³ He held the belief that was characteristic of the physiocrats in the productivity of the land.

For Mirabeau the iron law had no terrors; for Malthus it was a nightmare. But before discussing Malthus it is interesting to notice that certain writers made observations which subsequent reflection has shown to have contained the germs of important truths that were for various reasons never given their due weight by Malthus. At the end of an interesting discussion of population Cantillon (born between 1680 and 1690, died 1734) writes as follows: 'it is also a question outside of my subject whether it is better to have a great multitude of inhabitants, poor and badly provided, than a smaller number, much more at their ease: a million who consume the produce of six acres per head or four millions who live on the produce of an acre and

¹ Quoted by Garnier, *op. cit.*, p. 161.

² *Ibid.*

³ *Ibid.*, p. 162.

a half.¹ This is a distinct recognition of the possibility of the existence of an optimum population. It was also recognized by Quesnay. Condillac put the point quite clearly. He asked 's'il est plus avantageux pour un royaume d'avoir un million d'habitants qui subsistent, l'un portant l'autre, du produit de dix arpents par tête, ou dix millions qui subsistent chacun du produit d'un seul arpent'. His answer is as follows: 'ce n'est pas la plus grande population considérée en elle-même, qui doit faire juger de la prospérité d'un État,' but 'la plus grande population, qui, étant considérée par rapport aux besoins de toutes classes de citoyens, se concilie avec l'abondance à laquelle ils ont tous le droit de prétendre'.²

Similar references to what has subsequently been called the conception of an optimum population are not infrequent in the eighteenth century. We find them in the writings of Bruckner, Mirabeau, Condorcet, and Moser among others. Chastellux, for example, says that it is better to have 'une population heureuse qu'une population nombreuse'.³ But the conception was never worked out, and it remained for a later generation to make precise what is meant by the best number of people as distinguished from the greatest possible number.

If population is to be limited in such a fashion that the greatest possible number is not reached, it means that some preventive check must be in operation. By a preventive check is to be understood a check which inhibits the growth of population other than by way of famine, war, or disease. Looking over the literature we discover that many writers recognized the existence of preventive checks; they realized that it was not uncommon for men to have regard to their standard of life and to limit their families accordingly, whether by postponing marriage until they could provide adequately for a family, or in other ways. Thus Bacon remarks: 'look when the world hath fewest barbarous peoples but such as commonly will not marry or generate except when they know means to live, as is almost everywhere at this present day except Tartary, there is

¹ R. Cantillon, *Essay on the Nature of Trade*, ed Higgs (1931), p. 85.

² Quoted by Garnier, *op. cit.*, p. 181.

³ *Ibid.*, p. 192.

no danger of inundations of people.'¹ 'If a man', says Cantillon, 'is satisfied with the produce of an acre and a half of land he will marry if he is sure of having enough to keep his family in the same way. But if he is only satisfied with the produce of five to ten acres he will be in no hurry to marry unless he thinks that he can bring up his family in the same manner.'² The existence of prudential restraint was often recognized; it can be seen in Mirabeau and Brückner. But the fact that men do widely exercise restraint was not woven into any consistent theory nor was it related to the conception of optimum population.

Thus, before Malthus entered the field, the population problem had been much discussed, and most of the points, upon which later reflection has fixed as important, had been brought to light. But they had not been brought together into a coherent form. In England in particular discussion was active in the second part of the eighteenth century, and all the points upon which emphasis has been laid here were made by English writers. But it is perhaps in the work of the Italian Giammaria Ortes (1713-90) that the most complete treatment of this subject is to be found among the predecessors of Malthus.

(4) THE STATISTICAL APPROACH

The discussions which we have so far considered were made for the most part without any reference to, or knowledge of, the facts as to the size of populations or as to changes in numbers. But towards the end of the eighteenth century statistical studies had developed to a point where the facts about numbers were well enough known to make it impossible to leave them out of account. Students of statistics tended to fall into two classes: those who were drawn to investigate births, deaths, and expectation of life, and those who devoted their attention to estimating the size of nations in the past and the present.

Among the former Englishmen were prominent. Graunt published his work upon the London Bills of Mortality in 1662;

¹ Francis Bacon, *On the Vicissitude of Things*.

² R. Cantillon, *op. cit.*, p. 77.

in it he compares the rate of increase of urban and rural areas and may be said to have laid the foundation of registration statistics. Sir William Petty, who carried his work farther, was in many ways a remarkable man. It fell to Halley to construct the first life table in 1693. The famous astronomer, having promised to present a paper to the Royal Society, which was running short of material, came across data from the city of Breslau which gave not only the facts which Graunt had had for London but in addition the ages of those who had died. Hence he was able to construct the first true life table. From this time onwards, with better data and more refined methods, studies of this nature were continually improved; Sussmilch in Germany and Price in this country made famous contributions during the next century. At the date when Malthus wrote there was a considerable amount of accurate knowledge relating to expectation of life, and the work of life assurance had been placed upon a sound foundation.

More directly relevant to population theory were the discussions about the size of different populations at various times. When Malthus published his first edition, the first English census had not been taken, and since this country, though not the first to take a census, was among the pioneers, accurate knowledge of the kind only to be derived from censuses was lacking. Nevertheless many important points had been cleared up, and by 1800 there was general agreement on the subject of the increase of the population of Europe. Shortly before 1700 a number of estimates were made about the contemporary population of the different continents; they varied widely and, though some came, as we know, near the truth, it does not appear that contemporaries distinguished between the fantastic and the sound estimates. In the following century the estimates became less diverse, and about the middle of the century Sussmilch gave a figure for Europe which we now believe not to have been far from the truth and which commanded general respect.

While more or less accurate knowledge about the population of Europe was being made available and was becoming

accepted, discussion arose concerning the past history of population in Europe. Botero, it will be remembered, held that numbers had not changed since Roman times. In the eighteenth century it was argued by several writers that the population of Europe was less than in Roman times and was declining. This thesis was argued with a conviction so fierce as to arouse surprise until it is remembered that an increasing population was held to be a sign of good government and that those who promoted this thesis were determined critics of the existing governments. Moreover, they were critics of the Church, and since they attributed the alleged depopulation largely to monasticism, they were much tempted to look for any evidence which would seem to afford proof of the evil influence of this great institution which they detested. Evidence worthy of serious attention which pointed in this direction was hard to come by; but that did not prevent the making of positive statements such as the following taken from Montesquieu, who was among the most active proponents of this thesis. 'Après un calcul aussi exact qu'il peut l'être en ces sortes de choses, j'ai trouvé qu'il y a à peine sur terre la dixième partie des hommes qui y étaient dans les anciens temps. Ce qu'il y a d'étonnant, c'est qu'elle se dépeuple tous les jours, et si cela continue, dans dix siècles, elle ne sera plus qu'un désert.'¹ In England Richard Cumberland and Robert Wallace wrote to the same effect.

Two men of learning and strong common sense, whatever may have been their limitations, Voltaire in France and Hume in England, utterly demolished this fantastic thesis. Voltaire pointed to the conversion of forest country to agricultural purposes and to the foundation and growth of new cities; he poured ridicule upon the reputed size of armies in ancient times and upon other so-called evidence of former large numbers. Hume undertook a more careful and elaborate treatment of the subject in a famous essay; and no serious attempt was made subsequently in either country to re-establish the theory of a declining European population for which there had never been any serious evidence. Thus before the time of Malthus,

¹ Gonnard, *op. cit.*, p. 147.

not only had the theory of population received much attention, though for the most part incidentally to other matters, but the facts of population had been elucidated in rough outline and there was general agreement about them. Nevertheless, Malthus did not make any considerable use of the known facts, nor did he fasten upon the more enlightening hints which his predecessors had thrown out when touching upon matter of theory.

(5) MALTHUS¹

In 1798 Thomas Robert Malthus published *An Essay on the Principle of Population as it affects the future improvement of Society with remarks on the speculations of Mr. Godwin, M. Condorcet and other writers*. Malthus was then thirty-two years of age. Ten years before he had graduated as ninth wrangler at Cambridge and had subsequently obtained a fellowship at Jesus College. He took holy orders, and for a time held a curacy at Albury not far from the 'Rookery', a country house of some size near Dorking, where he was born. But Cobbett's nickname 'Parson Malthus' was not happy; Malthus never considered his clerical duties as the main work of his life, and presumably was ordained only because of his fellowship.

Daniel Malthus, the father of Robert, was a man somewhat out of the common; he is said to have corresponded with Voltaire and to have been the literary executor of Rousseau. It is not surprising, therefore, that Jacobinism and other questions of the day should have been discussed between such a father and a son who had distinguished himself at college. In 1797 discussion turned on Godwin's *Enquirer* which had just been published, and the younger man, who was inclined to be critical of the enthusiasms of his father, urged arguments against the thesis of Godwin and his school. In particular he urged that there was an obstacle to 'improvement' in the shape of the capacity of the human race for unlimited increase and, as the discussions proceeded, he became so impressed with the importance of this obstacle that he sat down and put his ideas on paper. There resulted the first edition of the *Essay* which was

¹ See J. Bonar, *Malthus and his Work* (1885).

published anonymously. It met with immediate success and elicited more than twenty replies within the next five years. This success, together with the consciousness of the fact that, as Malthus said in his preface, the *Essay* might 'have been rendered much more complete by a collection of a greater number of facts',¹ led him to undertake a second edition. For this purpose he travelled on the Continent in 1799. In 1803 the so-called second edition appeared; it is in fact a new book and this time a treatise rather than an essay. Four other editions, which did not embody substantial alterations, appeared in his lifetime.

In 1805 Malthus was appointed to the chair of History and Political Economy at the new East India College at Haileybury (said to have been the first chair in the latter subject, at least in this country), and he held this post until his death in 1834. He published another considerable book in 1820, *Political Economy*, and numerous pamphlets. Though modest and retiring he was known personally to his contemporaries of eminence; he helped to found the Political Economy Club and the Statistical Society. In spite of being the first professor of the 'dismal science' and of propounding a view of human life which in his own words had 'a melancholy hue',² he was himself far from dismal. Amiable and with pleasing manners he lived, as his epitaph in Bath Abbey truly says, 'a serene and happy life'—in spite of the fact that he was 'the best abused man of his age'.³

In the first edition of his book Malthus was concerned to show that there must be checks to the growth of population because population tends to increase faster than the means of supplying it with food. He went on to say that the checks must take the form of vice or misery or both, in the shape of famine, pestilence, and so on. Therefore there exists an insuperable obstacle to perfectibility. Malthus must have realized, even when preparing the first edition, that it was not easy to reduce all checks to misery; 'the slightest check to marriage, from a prospect of the difficulty of maintaining a family, may fairly

¹ T. R. Malthus, *Essay* (1798), p. 2

² *Ibid.*, p. iv.

³ J. Bonar, *op. cit.*, p. 1.

be classed' under the head of misery.¹ To include all courtships under the head of misery is obviously to misuse that term.

The second edition is about four times the length of the first. It differs from the first in three main respects. Malthus had become so immersed in his subject that he no longer had the possibility of 'perfectibility' uppermost in mind; he is writing a treatise on the population question. He incorporates a large quantity of factual material relative to the prevalence of vice and misery at all times and in all places. Finally he admits a third check, 'moral restraint', by which he means abstinence from marriage, whether temporary or permanent, which does not come under the other two heads.

Malthus was not gifted with an attractive style or with the power of lucid exposition. He was verbose and obscure; he recurs to the same matter over and over again, and it is often difficult to attach a precise meaning to what he says and to harmonize his remarks. It is possible to point to isolated passages which seem to support very different views of many aspects of the whole matter. To represent what he seems to wish to convey it is necessary to keep the whole book in mind.

The thesis of the *Essay*, of which the second edition is meant, may be summarized as follows. The growth of population must be checked by misery or moral restraint. This proposition, he made it clear, was valid not merely for England or certain other countries when he wrote, and still less not merely for some distant future date. It was valid for all countries at all times. Clearly enough the validity of the proposition would commend itself to every one if it referred to some remote date in the future because the land surface of the world is limited. Next it is important to realize that the modern conception of over-population was not present in the mind of Malthus. Misery was not the sufferings of the redundant during their lives but their sufferings under the catastrophes which removed them. The checks were always at work and were only too efficient. But why must checks be always at work? Malthus's answer would seem to be that wherever you look there is no con-

¹ T. R. Malthus, op cit., p. 108.

siderable, if any, surplus of food; this is so whether the population is sparse or dense. Now the 'power of population is infinitely greater than the power in the earth to produce subsistence for man'.¹ There is a 'constant tendency in all animated life to increase beyond the nourishment provided for it'.² Therefore, since everywhere food and population start, so to say, from scratch, the growth of population must be checked.

The argument thus turns on the relative rates of increase. Malthus lays down that 'population, when unchecked, increases in a geometrical ratio. Subsistence increases only in an arithmetical ratio'.³ It has been alleged that he laid no great stress on the ratios; but it is possible to confute those who hold this view from Malthus himself. Indeed, the conception of the ratios is always present to his mind. Now it is true to say that population increases, if unchecked, in a geometrical ratio; but it is not true to say that food can only increase in an arithmetical ratio. Malthus himself made no serious attempt to prove the second part of his statement; in fact he more or less admits that food has sometimes increased in a geometrical ratio under certain circumstances though he insists that these circumstances were altogether peculiar. Nevertheless, once this essential part of the argument is admitted not to have universal validity, it is not unfair to say, in the words of Professor Cannan, that 'the book falls to the ground as an argument and remains only a chaos of facts collected to illustrate the effect of laws which do not exist'.⁴

This is not to dismiss Malthus. He emphasized and illustrated the importance and interest of a puzzle—a puzzle which cannot be escaped. He did not solve it, but he forced it to the front with such success that no succeeding generation could fail to try its hand at a solution. This was his great achievement; he brought the matter to an issue. For three centuries, as we have seen, the subject had attracted attention. It came up again and again and it coloured men's views on many important questions.

¹ T. R. Malthus, *Essay* (1798), p. 13.

² *Ibid.* (1803), p. 2.

³ *Ibid.* (1798), p. 14.

⁴ E. Cannan, *Theories of Production and Distribution*, p. 144.

To isolate the problem and discuss it by itself was a service. But it cannot be said Malthus's discussion introduced anything that was both new and of fundamental importance. Indeed, he missed certain points of importance that had been made, though only incidentally, by some writers. He underestimated the extent to which men had exercised and did exercise restraint and consequently overestimated the importance of positive checks. He failed to emphasize the importance of the question, whether it was better to have a smaller population than a country could support, which had been discussed by some of his predecessors; had he done so and had he analysed what was implied in this particular problem, he might have pushed the discussion much farther. What he did in the main was to adopt 'the iron law of population'; but while stressing, like Mirabeau, that population increases up to the limits, unlike Mirabeau he believed that those limits could only be slowly advanced.

It remains to explain the remarkable reception of the *Essay* and the place which it soon came to occupy in public interest. It is not enough to say that it was the first book devoted to a problem that had long been much in men's minds though this was an important factor; indeed, the interest in population had been manifested not only in theoretical discussions but also in the controversy about the 'populousness of ancient nations', while the first census, taken in 1801, was attracting attention. In addition, the *Essay* was directly relevant to the theoretical discussions about social organization which the French Revolution had roused. Then again it was relevant to the practical problems at that time facing the country. Pitt's Poor Law Bill was put before the country in 1798 proposing to extend relief to large families; it is said to have been dropped partly because of the opposition which gathered among those who had been influenced by the *Essay*. There was indeed no subject which then occupied the minds of men, whether of academic or of immediate importance, to which the *Essay* was irrelevant. Malthus was the most fortunate of men in respect of the moment when his work saw the light.

(6) POST-MALTHUSIAN CONTROVERSY

Before the second edition of the *Essay* had been published, the first had had the honour of receiving at least a score of replies. Following the publication of the second edition the controversy became still more animated and for some two decades showed few signs of dying down. Then public interest began to lapse with the return of prosperity and the preoccupation of the nation in industrial and commercial activities. Hard facts seemed to have laid to rest the spectre which Malthus had raised; population and wealth both increased beyond precedent. It became impossible to arouse general interest in a theory which, although it had not been successfully refuted by arguments familiar to the public, seemed to have no practical relation to events. It required another and a greater war to arouse general interest again.

There have been two sides to the discussion following upon the *Essay*. On the one hand there have been the contributions of the members of the general public who were not specialists. On the other hand there have been the contributions of professional economists. The former are interesting only as illustrating the impact of the theory upon particular schools of thought and upon certain remarkable people. By examining the latter we can follow the gradual elucidation of the matter.

Leaving for a moment the development of theory, we find that the support of Malthus came mostly from the Whigs and the Utilitarians. To them the factual, unsentimental, and apparently scientific demonstration made a strong appeal. Pitt, Paley, Copleston, James Mill, Senior, Ricardo, Mackintosh, and Whitbread were all followers of Malthus. In 1819 Brougham referred to the 'principle of population as one of the soundest principles of political economy'.¹ Support for Malthus was especially strong among the Utilitarians. Referring to about the year 1825 J. S. Mill says: 'Malthus's population principle was quite as much a banner and a point of union

¹ Quoted by J. Bonar, *op. cit.*, p. 363; see Leslie Stephen, *English Utilitarians*, vol. ii, ch. vi.

among us as any opinion especially belonging to Bentham.¹ Some of the supporters of Malthus, and among them J. S. Mill, believing that moral restraint would never be practised sufficiently to ward off the checks of vice and misery, began to attempt to popularize contraceptive methods, though without any encouragement from Malthus. This propaganda was at its height in the decade 1820 to 1830; it then died down and was not revived until the beginning of the last quarter of the century.

The opposition was centred chiefly in the ranks of the Tories and the revolutionaries. The first edition was directly aimed at the latter. Godwin attempted a reply in 1801 and, finding that the principle still gained ground, composed a second refutation some years later. Some remarks of Shelley show very clearly the attitude of the radicals and revolutionaries towards the principle. 'Metaphysics and inquiries into moral and political science have become little else than vain attempts to revive exploded superstitions, or sophisms like those of Mr. Malthus, calculated to lull the oppressors of mankind into a security of everlasting triumph.'² To the left-wingers of his day Malthus represented bourgeois economics. He remained for long an object of hatred to socialists. According to Proudhon, 'la théorie de Malthus, c'est la théorie de l'assassinat politique, de l'assassinat par philanthropie, pour l'amour de Dieu'.³ Karl Marx made a violent and offensive attack on Malthus in a well-known passage.

The revolutionaries feared that Malthus had discovered an obstacle which stood in the way of abolishing poverty by transforming society. If Malthus was right, poverty was not just the result of oppression. The Tories thought the principle was incompatible with a divine ordering of society and, unable to refute Malthus, also took to abuse. Southey and Coleridge represent this attitude; the former attacked the *Essay* more than

¹ J. S. Mill, *Autobiography* (1873), p. 105.

² P. B. Shelley, *Revolt of Islam*, preface.

³ Quoted by H. Soetbeer, *Die Stellung der Sozialisten zur Malthusischen Bevölkerungslehre* (1886), p. 20.

once with violence. In view of the general dislike of Malthus and his principle among this school it is remarkable that Joseph de Maistre should have called the *Essay* a 'profond ouvrage . . . un de ces livres rares après lesquels tout le monde est dispensé de traiter le même sujet'.¹ Cobbett, who cannot be classed as belonging to any school, was prominent among the critics. He coined the sobriquet 'Parson Malthus' in the following passage:

'Why,' said I, 'how many children do you reckon to have had at last?'

'I do not care how many,' said the man, 'God never sends mouths without sending meat.'

'Did you never hear,' said I, 'of one Parson Malthus?'

'No, Sir.'

'If he were to hear of your works he would be outrageous, for he wants an Act of Parliament to prevent poor people from marrying young and from having such lots of children.'

'Oh, the brute!' exclaimed the wife, while the husband laughed, thinking I was joking.²

Towards the middle of the century interest in the matter subsided. It would seem that the 'principle' gained general acceptance in the sense that Malthus was thought by the educated public to have proved something to the effect that population tends to increase more quickly than food. But in the days of prosperity, whatever it might be that Malthus had proved, it did not seem greatly to matter. Attacks upon the 'principle' continued to come from those inspired by religious motives. In 1840 three books were published, all hostile to the principle on religious grounds; of the authors Allison was a Tory, Doubleday a Radical, while Sadler does not seem to have had any strong political feelings. At a much later date W. P. Greg expressed in an essay the difficulty of harmonizing the Malthusian view with a religious outlook. Nevertheless, in spite of the general hostility of religious authors, Sumner, afterwards archbishop of Canterbury, and Thomas Chalmers both expressed their belief in the principle.

¹ Joseph de Maistre, *Du Pape*, Bk III, ch. iii, section iii

² Quoted by Bonar, *op cit.*, p. 6, note.

This controversy did nothing whatever to elucidate the problem. When not merely abusive, it was irrelevant. Meanwhile discoveries, which were found later to throw light on the matter, were being made by those who were investigating economic problems.¹ These investigations were prompted by the high price of corn. The price had risen from under 50s. a quarter for the decade 1780-9 to over 100s. for the four years ending in 1813. During the same time there had been an immense extension and improvement of agriculture. With the rise of prices the corn laws had clearly little to do. To what then was the high price of corn due? The question led to discussion and controversy; committees were appointed; a large amount of evidence was collected. Reflecting upon these events in the lights of the facts available, West published a pamphlet in 1815 in which he enunciated the principle of decreasing returns.

The principle [wrote West] is simply this, that in the progress of the improvement of cultivation, the raising of rude produce becomes progressively more expensive, or, in other words, the ratio of the net produce of land to its gross produce is continually diminishing. Each equal additional quantity of work bestowed on agriculture yields an actually diminished return, and, of course, if each equal additional quantity of work yields an actually diminished return, the whole of the work bestowed on agriculture in the progress of improvement yields an actually diminished proportionate return. . . . Consider the case of a new colony; the first occupiers have their choice of land, and of course cultivate the richest spots in the country; the next comers must take the second in quality, which will return less to their labour, and so each successive additional set of cultivators must necessarily produce less than their predecessors.²

There is nothing recondite about this. Its application to the price of corn at the beginning of the last century is evident but does not concern us here. About the same time Malthus and Ricardo entered the field and both gave expression to this principle of diminishing returns. It became embodied among the accepted doctrines of economics. Before attempting to show

¹ See E. Cannan, *Theories of Production and Distribution* (1903), ch. v.

² Quoted by E. Cannan, *op. cit.*, p. 157

the relevance of this principle to the population problem, something must be said about the form which the doctrine assumed at the hands of Ricardo, and those who followed him. This matter is of no little importance because they stated it in such a manner as to introduce a confusion which militated against the correct application of the principle to the population question.

The principle as stated by West had reference to agriculture alone. 'It is obvious', he said, 'that an equal quantity of work will always fabricate the same quantity of manufactures.'¹ In another place he even suggests that equal quantities of additional work in manufacture will yield more than proportionate returns. Thus it was put about that, whereas diminishing returns prevail in agriculture, increasing returns prevail in manufacture. The universal validity of the principle was denied. For this there was never any reason whatever. There is no fundamental distinction between agriculture and manufacture; the fact is that if men work in a limited space with limited materials their number cannot be indefinitely increased without reducing the returns per head.²

The second source of confusion was of still greater importance with respect to the application of the principle to population. Ricardo and his followers thought that agricultural returns had actually diminished with the passage of time; it was as though the human race had had the experience of West's hypothetical colonists. This is a complete misunderstanding of the principle as now accepted. What the principle states is that, if at any given time the number of people is increased, then increase beyond a certain limit must yield diminished returns per head. If over a period of time the number of people is increased and, as may well be the case, the means of production have changed, it does not result that an increase of people will be followed by decreasing returns. The point may be illustrated in this way. Imagine a primitive tribe living in a certain area and support-

¹ E. Cannan, *op. cit.*, p. 157.

² See L. Robbins, 'The Optimum Theory of Population', in *London Essays in Economics*.

ing itself by hunting game; under these circumstances 50 or more acres may be required for each inhabitant. Suppose that instantaneously, or so quickly that skill in food-getting remains unchanged, numbers are increased, there must come a point where the amount of game won per head, or the return per head to an equal amount of work, will diminish. Suppose, however, that numbers are increased over a considerable period of time, there may be no decrease in returns because during this time the people may have been learning agriculture, thus reducing the area required to each person to 5 acres and also perhaps enabling each person to live better on 5 acres than their ancestors did on 50. In other words the law of diminishing returns is one of static and not of dynamic economics.

The law of diminishing returns, thus understood, is of universal validity. How is it relevant to the population question? In any given area at any one time the inhabitants have a certain skill in the arts of production, industrial as well as agricultural. Under these circumstances, with limited means in a limited area, the average income in goods will not reach its maximum unless there is a certain density of population because there are benefits arising from co-operation. But there is always a limit to the number desirable because the average income will decline if there is more than a certain density. If any one doubts this let him suppose, not that the population increases in a certain area, but that the area diminishes in size while the population remains as before, which comes to the same thing. It comes to the same thing, because under either set of circumstances more and more labour is applied to a given area of land. Unless it is admitted that the average income would decrease under these circumstances, it follows that the present population of the world, if crowded on to the area of Europe, or, if contraction continued, on to the area of England, would be as well off as it is at present. This is clearly not so and there must be a limit to the number of inhabitants which it is best to have; more than this number and the income per head will be less than it might be. That is the condition of over-population. Over-population may be so great that the average income only keeps men alive.

That is the condition of maximum population. But if skill in production improves, the number of inhabitants, which it is necessary to have in order that the fullest possible advantage may be taken of this improvement, will increase. The improvement having been made, there is a new situation. Improvement (or deterioration) is, in fact, usually continuous and not spasmodic, and thus the optimum number seldom remains the same for any length of time.

This is the modern view in the fewest possible words; there will be something to be said in amplification later. It is necessary now to make clear how far the argument of the *Essay* is removed from the modern outlook and why it took so long to make the proper application of the idea of diminishing returns to the problems of population. The lapse of time is all the more remarkable inasmuch as it is to Malthus himself among others to whom we owe the working out of the law of diminishing returns.

It is possible to find phrases in the *Essay* which may be pointed to as showing that Malthus was aware of diminishing returns when he wrote it. But these phrases are always incidental; the idea of diminishing returns was not incorporated in the main argument. His argument proceeds on quite a different basis. 'All that Malthus really does is to discuss the respective probabilities of human and agricultural increase and the effects of the latter on the former. The part played by increasing numbers in increasing produce—even in its narrowest sense—he leaves almost undiscussed.'¹ He never considers any interaction between population and food; they both increase, but, since the former tends to increase faster than the latter, it must always be held in check to allow the latter to keep pace with it. In his discussion the only relation between population and resources was numerical. 'Given the original quantities of population and of "produce" and their actual rates of increase, "produce" per head at any given time will be discovered by a simple division sum.'² He failed to introduce into the *Essay* the conception of returns per head, that functional conception which lies at the basis of modern theory.

¹ L. Robbins, *op. cit.*, p. 105.

² *Ibid.*, p. 104

The point may be put in this way. Cobbett's friend said that God never sends mouths without sending meat. Had he said that God never sends mouths without sending hands, he would have made a more illuminating remark. A new pair of hands does come with every mouth, but it does not follow that the new pair of hands will produce as much as those already at work. If the new arrival causes the population to pass beyond the optimum number, the new hands will not bring a contribution equal to that of existing pairs, and the average income of the society will diminish.

Though Malthus contributed to the elaboration of the theory of diminishing returns, he did not, as we have said, apply it to population. That was left to others. Owing to the form in which the principle was put by Ricardo and his followers, a long time elapsed before the application was made. It was first necessary to get rid of the notion that agriculture alone was subject to diminishing returns. So long as this erroneous limitation held, there was a confusion which made it impossible to grasp the true relation of numbers to returns per head from work in general. It was also necessary that the law should be recognized as one of static and not of dynamic economics. J. S. Mill failed to grasp this aspect of the matter and in consequence his treatment of the population problem is inconsistent; his treatment is, however, interesting because it illustrates the partial but incomplete and incorrect application of the law of diminishing returns to population.

J. S. Mill, writing in 1848, attributed great importance to diminishing returns and much that he says is true and valuable. But he could not free himself from thinking of the operation of the law *in time*. In his opinion the law did not come into operation very early in the history of society and thereafter is liable to 'temporary supersessions' arising from progress in improvements. Moreover, in the history of England the law had been permanently out of action because improvements had always been making headway against it; 'the worst land now in cultivation produces as much food per acre, and even as much to a given amount of labour, as our ancestors contrived to extract from the

richest soils in England'.¹ As Professor Cannan remarks, there is not much to be said for a law which does not come into operation at an early date, is liable to supersessions, and has been made headway against by an antagonizing principle throughout the known history of England. The confusion is due to thinking of the law as one of dynamic economics; put as a law of static economics, it is, like any real law, always true. For any area at a given time under any given set of circumstances, there is always an optimum number; as circumstances change, the number changes. This conception of a continually shifting optimum number was foreign to Mill.

According to Professor Robbins, Sidgwick was the first economist to state the position correctly. But the 'terminology of which he availed himself was not calculated to convey the impression of any real innovation in thought, and he occasionally betrays the fact that he has not really grasped the full significance of his own doctrine'.² It was left for Professor Cannan to put the matter in a perfectly clear light, which he did in 1888. He returned to the matter on subsequent occasions. The historical development of population theories is traced in his *History of the Theories of Production and Distribution* published in 1893, and a full and illuminating treatment is to be found in his *Wealth* published in 1914.

(7) THE THEORY OF POPULATION TO-DAY

The theory of population to-day may be called the optimum theory of population. At any given moment there is for any area of land a number of people that it is best to have from the point of view of economic welfare. The theory is economic and the criterion is economic; the best population is, therefore, that which obtains the maximum income per head possible under the circumstances. The best or optimum population is not fixed; it is for ever shifting. That is so because the relevant circumstances are always changing. The optimum number has reference to an area of land and to the skill, habits, and mode of life of the inhabitants. The land may change; agricultural wealth

¹ Quoted by E. Cannan, op. cit., p. 177.

² L. Robbins, op. cit., p. 114.

may become exhausted or mines may be worked out. The coal-mines of England are far from being worked out, but they have now to be worked deeper and that changes an element in the situation. Changes in the skill and habits of the inhabitants are more frequent and more important. Inventions may improve skill, and in Europe for the last two hundred years improvement in skill has been rapid and has profoundly modified the situation. Habits may change; the inhabitants of an area may be drawn into foreign trade. To see the importance of foreign trade let us take an example. One hundred people may be the optimum size for the population of a small island when its agricultural wealth alone is being exploited. Suppose that a mine is discovered on the island the produce of which is desired overseas. Two hundred people may now be the optimum number; the extra hundred receiving food from overseas in return for the minerals exported. Should a similar mine be discovered overseas there might be no further demand for the product of the mine on the island, and the island would be left over-populated to the extent of a hundred persons.

In broad outline the theory is simple; if pursued into detail the complications and ramifications are found to be of great perplexity. But there is no need to pursue them here. We can turn from pure theory and ask how far it can be practically applied. Can we say when a country is over-populated? Can we discover the optimum population for any country? When Professor Cannan first gave clear expression to the modern theory he was careful to utter a warning. 'To show that both under-population and over-population are possible is not the same thing as showing that either of these things exists now or ever has existed. . . . The existence of over-population or under-population is not susceptible of exact demonstration.'¹

Professor Cannan's warning has often been forgotten, and in recent population discussions it has been assumed that unemployment in this country is evidence that it is over-populated. We shall presently find reasons for regarding large parts of India and China as over-populated. Now the outstanding fact

¹ E. Cannan, *Elementary Political Economy* (1888).

about these countries is that the inhabitants are over- rather than under-employed; they work from before dawn until after dark for a mere pittance. Unemployment is, therefore, not a necessary consequence of excessive numbers; in fact the only necessary consequence of excessive over-population is avoidable poverty. The existence of unemployment in this country is thus no proof that this country is over-populated. The possibility of any connexion between these two phenomena must be made the subject of careful inquiry.

If we look at a chart showing the course of unemployment in the country before the war we find that it came in waves. It sometimes rose as high as 10 per cent. and never dropped lower than 2 per cent. of the working force of the country. It is impossible to connect these large variations in unemployment with changes in population; throughout these years the population increased, not slowly for a few years and then rapidly for a period, but steadily over the whole time. Pre-war unemployment was not related to population; it was a problem of industry, as Sir William Beveridge has called it, and was due to industrial maladjustments. Since the war we have had a period of great unemployment, never falling lower than 10 per cent. We may be sure that the old forces making for unemployment are still at work since we have done nothing whatever to abolish them. Indeed, new maladjustments have appeared. But it has been argued that some of our post-war unemployment is due to over-population. It has been pointed out that rates of wages have been maintained at high levels by the influence of trade unions and of unemployment insurance legislation. Men will remain unemployed rather than accept employment at lower rates. It is sometimes deduced from this that part of the existing unemployment is due to a demand for higher wages than can be paid under existing circumstances. Since 1914 some of the circumstances which determine the optimum population have changed, and usually in an unfavourable direction, especially as concerns foreign trade. Our position may be likened, so the argument runs, to the hypothetical island mentioned above. Our foreign customers do not want or cannot buy our

products, and we are left with a surplus population which could only be employed at rates which the workers will not accept.

It may or may not be the case that some of our post-war unemployment is in this special sense due to over-population. The fact to be emphasized here is that the existence of unemployment is no proof of over-population, and affords no test as to the position of a country in relation to the optimum population. A more promising test is to consider data relating to average real income over a period of time. If the average real income has risen during the period under consideration, it cannot be shown that the country was over-populated. It may have been over-populated in the sense that, had there been fewer people the average real income would have risen more rapidly. But that cannot be proved; it can only be suspected. If, for instance, over a century productive skill and population have both increased markedly while average real income shows little improvement, there are grounds for suspecting over-population. If the average real income has stood still or more especially if it has declined, suspicion may approach something like certainty. This test, however, is hardly anywhere applicable because we do not possess for any country sufficiently accurate data concerning real income for a sufficient period. The data for England, such as they are, do not suggest over-population.

It is, therefore, not possible to prove that the population of a country has departed from the optimum by any known test when the divergence is slight or even fairly considerable. But gross over-population does quite clearly manifest itself. When we find a population whose skill is by no means insignificant but which lives at the lowest possible level of subsistence, there is clear proof of excessive numbers. In large parts of India and China most of the inhabitants are now living on the least that can keep men alive; they work unceasingly on tiny plots of land. These plots may not average more than an acre. It is evident that if each family had 5 acres or so, they would be better off. The concentration of all that labour on an acre does not yield as much as it would if it was spread over 5 acres—and

that indicates over-population and decreasing returns. It is also clear that Ireland was grossly over-populated when there were 8 million inhabitants and universal poverty in the middle of the last century.

The main impression, however, left in the minds of those who were influenced by Malthus was that 'misery' is widely prevalent in all countries at all times because population is always being checked by famine, disease, poverty, war, and so on. It remains to ask how the situation appears in the light of modern theory. We have seen that there is a choice open to every people at any time. In every area there is always a maximum number which can be supported at bare subsistence level. If skill is very primitive, if, for instance, the inhabitants gain their living wholly by hunting, the maximum possible density of population may be one person per 10 or 20 acres. However advanced productive skill may be, it is still possible to have so many people in an area that all live at bare subsistence level. Skill, no matter how advanced, may profit a people nothing if the immense power of human multiplication is fully exercised. There is at all times another possibility, and that is to have that number of people which will yield the highest average income per head within reach. In the case of a people knowing nothing but hunting the highest possible average income will be relatively very low, but it will be substantially higher than if the area contained the largest possible number of people—all subsisting on the barest living. For a hunting people the optimum density might be one person per 50 acres if the greatest possible density was one per 20 or thereabouts. Any density is of course possible from the least dense up to the optimum and beyond the optimum to the maximum.

Looking broadly at human history we ask what the situation has usually been. It follows from what we have said that we possess no tests which enable us to say positively of any people at any time that population was at the optimum. But that does not mean that we can infer nothing as to conditions in the past. The most striking conclusion which emerges as the result of a broad survey of human history is as follows. As the productive

skill of mankind increased, as hunting gave way to primitive agriculture, as primitive agriculture gave way before the plough and the wheel, as wood and stone were replaced by metal and finally as mechanical power was brought in, so the average real income per head increased. This we infer with certainty from the remains of primitive man; the dwellings, clothes, and belongings multiplied and became more ample. This inference is supported by our direct observation of existing primitive races which can be regarded, with due reservations, as 'living fossils'; existing agricultural races are, for instance, richer per head than existing hunting races.

This increased real income per head is not a necessary consequence of increased skill. As we have said, if at any time population multiplies to the limit of numbers which can be supported, there will be bare subsistence for all, no matter how advanced the skill. It follows, that, generally speaking, population has not increased to this limit. What held it back? All the evidence regarding the size of the family in primitive times (and the evidence is abundant) goes to show that families were small. This was not due to lack of reproductive power, which was as great then as now. It was due to certain customs, one or more of which were everywhere regularly practised. These customs were infanticide, abortion, and prolonged abstention from intercourse. Infanticide was practised by the aboriginal Australians, abortion by the Polynesians and American Indians, abstention from intercourse by the Bantu peoples of Africa. By one or other of these means families were kept small; it was not a matter of disposing of children or of preventing their arrival when means of subsistence failed; the small family was universal at all times. There is room for differences of opinion as to how far these habits were consciously adopted in order to prevent the population from increasing; all that is strictly relevant here is that apparently throughout human history up to the advent of Christianity population was prevented from multiplying to the possible limit by these means. It is well known, for instance, that infanticide was prevalent in classical Greece.

Christianity gradually put an end to abortion and infanticide

—more gradually than is generally supposed; but the ancient customs, whereby families were kept small, eventually ceased to operate in Europe. Had nothing arisen to take their place, population would presumably have increased far beyond the desirable limit. But a new system of regulating numbers grew up—regulation by postponement of marriage. Hitherto, except very occasionally in certain ancient civilizations, every one had married at the earliest possible age, as is still the case in most Asiatic countries to-day. In Europe postponement of marriage came to be enforced in many ways. Serfs were under certain disabilities in respect to marriage. But it was rather a matter of custom than of law which led to late marriages.

Country life was . . . rigid in its habits; young people found it difficult to establish themselves until some other married pair had passed from the scene and made a vacancy in their own parish; for migration to another parish was seldom thought of by an agricultural labourer under ordinary circumstances. Consequently whenever a plague or war or famine thinned the population, there were always many waiting to be married who filled the vacant places.¹

Before the Reformation not only were early marriages determinedly discouraged, but the opportunity for them did not exist. A labourer living in a cottage by himself was an exception to the rule; and the work of the fields was performed generally . . . by servants who lived in the families of the squire or the farmer, and who, while in that position, commonly remained single, and married only when by prudence they had saved a sufficient sum to enable them to enter some other position.²

In the towns of medieval Europe marriage was delayed in various ways—by guild rules among others.

It is quite plain that in the eyes of the ordinary man in the sixteenth century one of the advantages of a system of compulsory apprenticeship was that it prevented youths marrying at a very early age; e.g. an Act (2 & 3 Philip and Mary) forbids the admitting of any one to the freedom of the city of London before the age of twenty-four, and enacts that apprentices are not to be taken so young that they will

¹ Alfred Marshall, *Principles of Economics* (1910), p. 186.

² J. A. Froude, *History of England*, vol. 1 (1856), p. 5.

come out of their time before they are twenty-four. The reason alleged for this rule is the distress in the city of which 'one of the chief occasions is by reason of the overhasty marriages and the oversoon setting up of households by the younger folk of the city'. . . . A petition of the weavers states that 'whereas by the former good laws of their trade none could exercise the same until he had served an apprenticeship for seven years and attained the age of twenty-four, now in these disordered times many apprentices having forsaken parents and masters . . . refuse to serve out their time, but before they are 18 or 20 years old betake themselves to marriage'.¹

It is difficult to obtain statistical evidence as to the age at marriage and, therefore, as to the degree of postponement of marriage. Rubin has worked on Danish figures for the sixteenth, seventeenth, and eighteenth centuries. Summing up his results he says that 'in spite of the fact that in the independent sections of the community marriage took place, as a rule, at an earlier age in the eighteenth century than it does now, the average age of marriage was yet higher at that time, because the more numerous dependent classes married later'.² In other words, in Europe in medieval times and up to the eighteenth century there was little voluntary postponement of marriage and little celibacy except among those who entered the priesthood or monastic life. But there were strong forces making postponement obligatory for the greater part of the population.

Though we can make no measurement, it is clear enough that the average income rose in Europe from century to century from at least 1000 to 1800. We must infer that the new system of control of numbers was effective in the sense that it prevented the population from increasing to the possible limit. We do not know, and can never discover, how near it approached the optimum at any time. Under the impact of those changes known as the Industrial Revolution, this system of regulation broke down. The guild restrictions were removed; society became more fluid, even in the country. All the forces making for the postponement of marriage ceased to exert themselves.

¹ R. H. Tawney, *The Agrarian Problem in the Sixteenth Century* (1912), p. 105 note.

² M. Rubin, *Journal of the Royal Statistical Society* (1900), vol. lxiii.

There was no longer any system of control of numbers taking the form of law or custom which could not be evaded. Men became free to marry when they pleased and to have as large families as they pleased. The absence of any system of external control was a new feature in human history. Hitherto men had lived subject to laws and customs which they had to obey and which led by one path or another to the same end—limitation upon increase.

Multiplication, unrestricted by external control, is found in all modern societies. Had multiplication continued unrestricted by any control to the present day, it is probable that many European countries would now be over-populated. As things are, it cannot be asserted with any certainty that any European country is over-populated, and the reason is that in every European country people have begun voluntarily to limit their families. To this the declining birth-rate bears witness; it began to decline in England in the decade 1870–80, and the decline has manifested itself in other countries at varying dates. Family limitation is now universal in the white races; it is not imposed by custom; it is practised as an end in itself. The means whereby limitation is brought about differ; in Ireland it is achieved by few and late marriages, not as in medieval times enforced by custom and external constraint, but as the result of prudential restraint. In other countries contraception plays a large part.

So strict has family limitation come to be that most countries in northern and western Europe will have a stable or perhaps a declining population within a few decades. Eastern and southern European countries are following the same path though at various intervals of distance. Meanwhile the productive power of industry increases. It follows, therefore, that even though there may be some over-population in Europe now, there is no fear that it will become serious. On the contrary, the prospect is that it may be difficult to maintain the present level of population although technical progress will almost certainly justify an increasing density of population.

Thus the modern view gives us a picture very different from that of Malthus. Instead of seeing 'misery' at work at all places and at all times, cutting off men who are at the limit of food

supply, we seem to see that men were usually held back from increasing to the possible limit. There has always been, and there still is, 'misery' enough; but only in certain countries at particular times, Ireland in the first half of the last century and China at the present day, has 'misery' been primarily a population phenomenon.

(8) QUALITATIVE AND OTHER ASPECTS OF POPULATION THEORY

From the eighteenth century onwards the economic aspect of population theory has been studied apart from other aspects, and it is the history of thought about this side of the matter that we have followed. There are also the social, political, and qualitative sides about which it remains to speak. Of the first there is room to say but a few words. It will have been noticed that the criterion of optimum population is purely economic; an optimum population is that which gives the highest income per head. Since there is not likely to be any cessation of advance in productive skill, the most desirable density from the purely economic point of view will presumably go on increasing. But it is evident that from the point of view of social needs there can be too great a density of population; for healthy social life open spaces and an open country-side are necessities. Socially any country would suffer if it became all suburbanized. There is thus at a certain point an incompatibility between the desirable economic density and the desirable social density. This point does not lie in the far distant future; it is near at hand. Indeed, England may have reached it; south-east England and the west of Belgium are already suburbanized. No more can be said here than that the density desirable from the social point of view is a pressing modern problem.

The older writers had the political aspects of population much in mind. Until recently we have tended to forget them. It is now becoming apparent to us that population cannot be left out of account when considering problems of government. The size and density of population are both important factors. In America an attempt is being made to include under one government of a modern type an area and a population both

unprecedented in size. It may be that there are difficulties inherent in this attempt that will become increasingly apparent as the years pass. It is at least significant that the most successful modern governments are those which care for populations of relatively small size—the Scandinavian countries, Switzerland, Holland, and Belgium.

The distribution of population within a country is important both from the political and the economic points of view. Just as it is a question what the best size of population is for a state, so there is a question what the best size of population is for a town from the point of view of government. There is evidence that it is not the largest cities which are the best governed. From the economic point of view there is evidence that congestion in large cities is the cause of enormous waste. There is waste of time travelling to and from work; there is waste in the delay of the passage of goods and in a hundred other ways. It was formerly thought that the distribution of population within a country was beyond control. We now realize that human agencies, taxes and rates for instance, do affect distribution. We are beginning to see that the distribution of population could be controlled by the planned use of these agencies to effect certain ends. As things are, population tends to become increasingly concentrated; it is not merely that towns grow in size; a larger proportion of the population is coming to live under urban conditions. This tendency could be counteracted if desired, and it is now beginning to be seen that there are strong reasons for desiring decentralization.

It was mentioned above that Plato and Aristotle were interested in the quality as well as in the quantity aspect of population. They drew an analogy between human beings and farm animals and suggested that, just as the latter were improved by selective breeding, so too the former could be improved by giving attention to mating. To the Greeks there was something repulsive in deformity, and they proposed to destroy all deformed children. But they went much farther than this and proposed to raise the next generation from among the best of the present generation. These proposals were echoed by Campanella (1568–

1639) and supported by the same analogy. But his was a voice crying in the wilderness; there is hardly another instance of the expression of these views until within the last hundred years.

The lapse of interest in the quality of population is not altogether easy to explain. The analogy employed by the Greeks was fundamentally sound, and presumably farmers have never ceased to be aware that they should pay attention to mating, though they may have failed for long periods to employ this knowledge effectively. Perhaps we should attribute importance to the belief in the fixity of species; this conception was not present to the Greeks, but it prevailed in western Europe until the middle of the last century. So long as it was taken for granted that species of animals and plants remained unchanged, it was difficult to appreciate the importance of inheritance, since it is through the working of inheritance that species become transformed.

However this may be, it was inevitable that there should be a rebirth of interest in the quality of population as the result of Darwin's work. Darwin published the *Origin of Species* in 1859, and it may be said that within the next decade it became generally accepted that all living things had evolved from some very primitive form of life. The mechanism of this process was held to be as follows. Within any species or group of animals or plants there are always varieties to be found; these varieties differ from one another in various ways, some are tall, others short, and so on. It was held that the characteristics distinguishing the varieties were mostly inherited. Granted that one variety was eliminated or that it left relatively few descendants as the result of environmental causes, and that another variety was favoured and its descendants flourished, the species would undergo change—would become taller or shorter and so on as the case might be. This process of elimination was thought to occur under natural conditions, and thus some varieties were said to be naturally selected. Since only a few of the offspring, even of the successful, survive, there was said to be a struggle for existence. These terms are not very happy; it is inevitable elimination of some types, rather than natural

selection of others, which takes place, and it is absence of space for countless broods, rather than a struggle for existence, which results in the failure of all but a few of the young in each generation to survive.

It is not necessary to point out the difficulties in Darwin's theory or to show how he attempted to meet them. But it is desirable to emphasize that Darwin was not directly concerned with the problem of inheritance; he merely assumed that offspring tend to resemble parents, which was generally accepted, and showed that, this being so, certain results followed under the conditions prevailing in a state of nature. It was not until after Darwin's death that progress was made in the study of heredity; and as the result of the immense advance in knowledge of this subject witnessed in recent years, the theory of evolution has been subjected to continual revision. Nevertheless it is true to say that the essential elements in Darwin's theory are still accepted—namely that living things have evolved from simple forms of life as the result of the elimination of certain types, and that differences between types are to a certain degree inherited.

It was inevitable that the acceptance of Darwin's thesis should lead to its application to human problems of the day. But what was it legitimate at that time to deduce? All that was accepted was that the human species was, like other species, subject to change. It was believed that Darwin had shown how this came about; but he had only shown how it happened in a broad and general way. His demonstration was convincing enough, taking all things into account, although it did not pretend to have probed into all the details of the mechanism. Now as regards the details, Darwin was wrong at some points; other important details he did not have time to explore. But to pass from the general belief that man's evolution could ultimately be controlled to the belief that measures aiming at control could be immediately proposed was premature; this was so because specific measures depend upon detailed knowledge which was either lacking or at that time very insecurely based.

Nevertheless this premature step was taken, to the great detriment of the renewal of interest in problems of quality. The

responsibility must be attributed in large part to Sir Francis Galton (1822-1911). Galton was a grandson of Erasmus Darwin and a cousin of Charles Darwin. After studying medicine, he travelled extensively in Africa and made some notable contributions to meteorology. In middle life he took up the problem of inheritance and later coined the word 'eugenics'. He was a man of great ability and remarkable charm of manner. He did pioneer work of much interest in the study of inheritance, and he is not to be dismissed as unscientific or dilettante in any field which he touched. In spite of this his influence was unfortunate, and it cannot be said that he was not personally to blame for the formulation of a eugenic creed in advance of the scientific knowledge necessary to sustain it.

Six years after the appearance of the *Origin of Species* Galton published an article in which he emphasized the importance of inheritance in the production of ability. In this article he is already a propagandist for controlled breeding and shows himself to be extremely sanguine as to its probable results. In subsequent publications he continued to preach the importance of heredity. It should never be forgotten that he produced scientific work of no little merit in this field of inquiry; but he also generalized about heredity in a fashion that was not then justified. He never seems to have realized that, even if he had proved that sons resembled fathers to the extent which he believed to be the case, this did not constitute a science. In 1883 he says that 'we greatly want a brief word to express the science of improving stock'.¹ But there was not and could not be any science of this kind when the first steps had not been taken to elucidate the mechanism of inheritance. Nevertheless he coined the word eugenics and finally defined it as follows: 'eugenics is the study of agencies under social control that may improve or impair the racial qualities of future generations, either physically or mentally.'² In form this is the definition of a science; but he has imported into the definition conceptions of value. Science is not concerned with improvement or im-

¹ Francis Galton, *Inquiries into Human Faculty* (1883), p. 24 note.

² Francis Galton, *Memories of My Life* (1900), p. 321.

pairment, and hence there was a confusion introduced into the subject from which it has not yet been freed.

Thus as a result of Galton's influence, there grew up a school of thought which held that the overmastering importance of heredity in determining the characters and achievements of men had been proved and that it was known what steps could be taken to mould the race in the future. Moreover, value was attributed to certain characteristics without due consideration, and the valuable characteristics were supposed to be present in greater amount in the upper than in the lower social classes. These opinions hardened into something like a creed, and eugenic societies sprang up in many countries to spread the faith. But until the foundations of the science of heredity had been securely laid, all that was justified was a belief that human racial or inherited qualities were of importance and that they could ultimately be shaped by rational control as desired, at least up to a point. Most biologists, aware that this was so, stood aside from the eugenic movement, and many do so still. Thus the leaders of that science upon which eugenic propaganda has been based have not been prominent in the movement. This is not to say that they have been hostile; they probably thought for the most part that the importance of heredity would ultimately turn out to be large and that public policy should be directed to securing sound racial stock. But they were unwilling to commit themselves when the investigation of inheritance was in its infancy.

The investigation of inheritance has been actively followed since the beginning of the present century, and the pursuit of the clue found by the abbot of the Augustinian monastery at Brunn, Gregor Mendel (1822-84), has yielded remarkable results. Indeed, it has been the pursuit of the sciences of physics and heredity which has produced the most outstanding results in the whole field of science during the present century. It is no exaggeration to say that the mechanism of inheritance has been unveiled. But this revelation is not the end of the search. It is one thing to understand a mechanism for distributing qualities and another to describe and classify the qualities. This is in outline the state of our knowledge of human heredity; we

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know that little packets of chemicals, called genes, are passed on from parents to offspring by a peculiar mechanism and that they are the basis on which new human beings are built. But we have hardly made a beginning, so far as men are concerned, with the identification of the packets.

Nevertheless, without attempting to describe this mechanism, it is possible to indicate some of the more important conclusions which follow from its discovery. It would be well, at the outset, to abandon the notion that inheritance has anything to do with likeness. The existence of inheritance implies that human beings begin life with a battery of genes which they derive, and can only derive, from their parents. The child's genes come from the parents, but, since the parents have always a choice of genes, out of which to hand on a complement to the child, it does not follow that each child gets the same complement. Moreover, since, when two genes of different properties are present in a parent, one prevails or dominates over the other, it may be that the child will receive a latent or repressed gene that did not manifest its presence outwardly in the parent. In this case the child, while inheriting its qualities in the true sense of the word, will differ from the parent. Thus we understand how children of the same parents differ from one another, and why children sometimes resemble grandparents and other more remote ancestors. We also understand why likeness tends to go with inheritance; the child gets its genes from a family stock and will show the family characteristics.

Pushing inquiry a little farther, we learn that the genes behave during development as though they were packets of chemicals interacting with their surroundings. We therefore see that the common question, which is the more important, heredity or environment, is nonsensical. Both are indispensable. Without the genes no new organism can arise; without food, water, and other elements of the environment the genes cannot develop. But if the question is framed somewhat differently, it becomes the crucial question in the whole problem of the quality of population. If we survey a group of persons and note differences between them in respect of height, colour, intelligence,

and any other characteristics, we may legitimately ask whether these differences are due more to heredity or to environment. Upon the answer to this question depends the decision as to the way in which our practical activities should be bent. If environment is the more important in producing these differences, then we must aim at the improvement of the environment. If heredity is the more important, action through the environment is of little use except in so far as it influences mating and elimination.

We are slowly working our way towards an answer to this question. It has become apparent that environment is used in two senses. It is employed to indicate the knowledge, customs, and habits which we absorb by means of our mental capacities. While it is true that different people have different powers of absorption, it is nevertheless the case that what we pick up and retain is far more a matter of our surroundings than of our inheritance. There is no reason to suppose, for instance, that our ancestors in the late Palaeolithic age were less intelligent than we are. We differ from them because our environment is different, and in this sense the immense change from barbarism to civilization is due to changes in the environment.

Environment is also used to mean those elements—food, light, and so on—which, so to speak, interact with the genes, and produce the adult. If we consider the adult, disregarding that which he has absorbed and considering him merely as a product of inheritance and of environment in the latter limited sense, we find profound differences in intellectual and physical characteristics. One is clever, another stupid; one is impulsive, another is lethargic. We can put the same question once more. Which is the more important in producing these differences, heredity or environment in the latter sense?

It is apparent that we cannot answer by any generalization. There are some differences in the making of which environment has played a large part, as when disease, for which there is no inherited disposition, is the cause. But there are other differences, often of great importance, where heredity plays the chief part. Consider the children of the same parents; some able, others stupid; some gifted, and others not; some energetic

and others lazy. In so far as the environment has been substantially the same for all the children, these profound and important differences must be due to heredity. Another case is that of sex. From our studies of the mechanism of inheritance we know that a male differs from a female merely because one possesses and the other lacks a packet of genes. The difference is purely hereditary; and it is a profound difference—structural, physiological, emotional, and perhaps intellectual.

Thus, if we put aside those differences between people which are due to their having absorbed from their surroundings knowledge, habits, and customs of varying kinds and amounts, there is reason to believe that the remaining differences are in large part more due to inheritance than to environment. This is equivalent to saying that in the modern view the quality aspect of population is very important. If this is so, we must next ask to what extent members of the same community differ in respect of their inherited qualities. Modern investigations tend to show that the differences between members of the same community are profound. There is no more important or significant difference than that between genius and idiocy, and this difference is as a rule wholly due to inheritance. But in every community genius and imbecile are to be found; in fact, the members of any community are differentiated in respect of their mental inheritance and show every grade of intelligence between these extremes. The same holds good of most other important human characteristics. There is a huge range of variations in respect of natural endowment.

It does not follow that, because this is so, those possessing certain kinds of inherited qualities will be found in the same social or economic group within the community. The relation between social groups and inherited capacity has been the subject of considerable research. It cannot be said that there is as yet consensus of agreement as to the results; but it would appear that the correlation between social class and inherited endowment is no more than slight. Before modern methods of investigation had been applied to the solution of this problem, the eugenic school had become committed to the view that the

correlation was marked and that in respect of intellectual capacity the upper classes were better endowed than the lower. This is one of the many examples of the fact that the eugenic creed was formulated before there was adequate scientific foundation for its articles. This is not to say that the creed was wholly wrong; in this particular matter it seems as though investigation would presently show some, though only a slight, positive connexion between intelligence and social class. However, the emphasis laid by eugenists upon this article of their creed has aroused suspicion and hostility in certain quarters. Eugenics has been represented as an attack upon the less fortunate classes, and in view of the light-hearted manner in which exponents of eugenics preached the inferiority of the lower social classes, it cannot be said that this description of eugenics is without justification. In any case, premature generalizations have aroused emotions, and the impartial discussion of the available evidence has been made difficult.

It is the discussion of the possibility of class differences which gets entangled with current politics; the question whether other social groupings are characterized by inherited differences is easier because political prejudices are not aroused. There has been considerable investigation of such groups as the mentally defective and the criminal from this point of view. Again no certain results have been reached; but it is true to say that there is a large amount of evidence going to show that for the most part mental defectives are such owing to inferior inborn or inherited qualities. As to criminals, it is clear that there is more mental deficiency among them than in the community at large; the same is true of prostitutes and of those who are known to the Poor Law as casuals. It would therefore seem that the social problem groups, as distinguished from the social classes, are to a considerable extent differentiated from the rest of the community by inferior inheritance. Thus inferior quality in a section of the population is probably an important factor in the production of those who constitute our social problems.

Racial differences form almost as explosive a subject for discussion as class differences. Do races differ in quality, and

are some races inferior? There is no doubt that physical differences between races are inherited; men are not black in Africa because they are born there, but because they are born of black parents. The question of inborn mental differences between races is a much more difficult matter. In order to measure the intellectual capacities of the members of two races, we must employ the same measuring rod. It is very difficult to find a rod which is equally suitable to both races. If language is employed, it cannot well be the native language of both groups; and indeed few instruments will be equally applicable to both. The difficulties are such that it cannot yet be affirmed that racial differences exist in respect to intellectual endowment. It seems possible that they exist in respect to emotional and temperamental endowment, but the existing methods of assessing these qualities are still more open to criticism than our methods of measuring intellectual endowment.

It remains to ask what part, according to prevailing theory, changes in quality of population have played in history. There is no doubt that changes in quality could produce the most profound effects. There are, as we have seen, in every community men of genius and imbeciles; part of the population is above and part below the average intellectual endowment. If those at one end of the scale are the parents of the next generation, the average endowment will change in such a fashion as profoundly to affect the achievements of the community. It would be possible to produce a community of mental defectives, and such a community could not sustain a civilization even of a low level. Elimination of the better endowed intellectually would certainly destroy a civilization. The raising of a community of genius, on the other hand, would not certainly produce an age of great culture; it would make a great culture possible, but to bring it about there is required, in addition to pre-eminent quality, also favourable external circumstances.

It is one thing to admit the possibility of changes in the quality of population of such a nature that civilization would be rendered impossible; it is quite another thing to suppose that changes in quality have been the underlying causes of historical

phenomena. Judging from skeletal remains there is no reason to think that our Neolithic or even our Late Palaeolithic ancestors were inferior to ourselves in intellectual capacity. Evidence of this nature is far from conclusive. It finds support, however, in the fact that existing primitive races, which up to a point are to be thought of as living human fossils, are apparently not markedly inferior to ourselves in this respect. The general conclusion from this line of evidence is that the birth and growth of civilization is not connected with a parallel growth of intelligence: in other words, with an improvement in quality. Civilization seems rather to depend upon an accumulation of knowledge; that which is discovered by one generation can be, and generally is, passed on to the next generation, which in its turn enlarges and transmits it. Civilization, broadly speaking, is dependent upon the building up, refinement, and transmission of tradition.

Those who hold that changes in quality have been important factors in human history do not as a rule believe that such changes underlie the historical process as a whole. They limit themselves to pointing to the decline of certain civilizations and to the evidence that during the phase of decline there was infertility among the ruling upper classes. Such evidence exists in the cases of Greece and Rome; there is no similar evidence that the upper classes were infertile in other early civilizations which suffered decline, but it must be remembered that we know very little about their social conditions. When considering this theory it must be recollected that we have to explain not only the decline of civilization and culture at certain times but also their rise. There has been a wave-like movement, and it is reasonable to suppose that to the forces at work in producing the upward movement we must also attribute, this time working in the opposite direction, the downward movement. Now it is only possible to explain the upward process as due to improvement in quality by a very far-fetched line of argument. Therefore there is some reason for supposing that the cause of the downward process is not to be sought in deterioration of quality, but in that class of environmental factors which are to be detected whenever we have any adequate knowledge of the

circumstances accompanying any advance. Circumstances may conspire to stimulate mental activity, curiosity, and ambition; and when we are well informed regarding the circumstances as, for example, in the case of the sudden flowering of Elizabethan culture and its accompanying achievements, we see that the opening up of new worlds, geographically and intellectually, as well as other factors, may be held to give a sufficient explanation of the event. But circumstances may conspire not only to stimulate but also to depress, and we do not lack evidence that the circumstances under which ancient civilizations went down were the opposite of inspiring, and therefore it seems unnecessary to call in deterioration of quality in order to explain what happened. Furthermore, the evidence seems to show that this upper class infertility followed and did not precede the decline. At the most, therefore, it could only have been an accessory factor. It must also be remembered that this infertility in Greece and Rome may not have caused any decline in quality since it is a pure supposition that their upper classes were superior.

It is therefore not clear that we should attribute primarily to changes in quality any important historical event. But it does not follow that we can disregard the quality of our population on the assumption that it will have no bearing on our future. In modern society there is already no little social mobility; able boys and girls can and do work their way up. It is the expressed ideal of all schools of thought to increase this mobility and to open careers to talent. To the extent to which these ideals are realized, the population will tend to become segregated as to quality—the abler members being found in the professional and executive ranks. Thus professional class infertility in the future may have profound effects upon the quality of the population; for it is the case that the professional and executive classes are not making, either in this or any other civilized country, a contribution to the next generation in proportion to their numbers. Thus there is a real danger that the intellectual endowment of these countries will deteriorate, and it is evident that problems of the quality of population must occupy as much of our attention in the near future as those of quantity.

PART II

GROWTH OF BANKING, FINANCE AND
MONETARY INSTITUTIONS

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MONEY, FINANCE, AND BANKING FROM THE RENAISSANCE TO THE EIGHTEENTH CENTURY

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DEVELOPMENT AND PROGRESS

IT is hard to find a single key-date in political development which can be said to mark an epoch for us. Our subject-matter submits with a stubborn and ungraceful resistance to all attempts at period forming. In the story of the art of money manipulation there have been fewer backward glances, fewer indications of rebirth than elsewhere. The triumphs in the field of financial discovery have generally been the victories of common sense, the work of subaltern and trooper rather than of the generalissimo, of men who redelivered no classic formula and who were little given to theory. There are few landmarks; many of the stepping-stones emerge as recognizable objects long after they have been worn smooth by countless anonymous travellers. Doubtless there were moments of surge and periods again when the form of financial transactions seemed to have crystallized for ever; yet it is place rather than period which makes such matters important for us. Men were doing elaborate things in the commercial towns of Tuscany and Languedoc before the close of the Crusades which were hardly so well performed in Vienna and Warsaw when Napoleon's armies were on the move five centuries later. The truth is, every economic community got and maintained the financial machinery it deserved, the adaptation of means to ends being relatively simple, the successful working of those means a task of much complexity.

Thus, if we adopt the epoch of the great geographical discoveries as a starting-point, we are choosing a time when many of the most important inventions have already been made.

The subsequent three centuries see changes rather of degree and intensity than of kind, a publication of mysteries and an adaptation of legal and ethical codes to 'the custom of the merchant'. Yet the voyages of Columbus and Vasco da Gama did, as we shall see, have profound effects in the development and direction of monetary forces; and certain novelties had yet to appear, such as the contrivance of devices for securing uniformity of weight and appearance in coins, the first experiments in legal-tender paper, the adoption of a single standard suited to the needs of a community desiring both gold and silver in constant circulation, the general acceptance of bank money as a means of payment, and again, rather beyond our period, the universal use of transferable credits and the institution of the central bank as a power for good and evil.

For practical purposes the Renaissance here accepted will be that of western Europe. Without question the prime incidents in this context are the great oceanic voyages. They take us at once into one of the highways of our subject, the route along which Atlantic Europe sprawls as the exploiter and clearing house of the Indies east and west. The important factors in the development of monetary institutions arise along this route. Those who study their influence need never leave the waterways of the seafaring European peoples far behind. First of these main factors to be mentioned must be the variations in the supply and disposition of the precious metals used in coins. And in this connexion the direction of the metallic flow and the effects of this movement in the composition of prices must not be overlooked. A second factor is the maze of complications created by the simultaneous use of more than one material as the means of payment—gold, silver, copper, metallic mixtures, paper, even dried fish and tobacco, or some two or three of these. Third come the acts of the reigning authority, the expedients of economic statecraft; it was the political power which in the last resort determined the value of the monetary unit. The fourth, and in the long run the most creative, factor is the sense of the expediency of the business men who fitted their financial institutions to the changing face of commerce.

We find them striving for a stable unit, or a unit steadily but ever so slightly diminishing in value, for simplicity in the means of payment, and for ways of doing business without instant recourse to cash payments.

The presence of other less immediate factors in development must of course also be recognized. Without the expansion of the international commodity market modern finance could hardly have arisen at all, and the same is almost as true in regard to the division of productive labour within the national boundaries. For the back of commerce had to be sufficiently broad before the weight of great numbers of specializing intermediaries could be borne. Whether or no the broadening process could have continued indefinitely without the aid of an elaborate financial mechanism is a cognate question, but we shall have to leave the hen and the egg still disputing the matter without much hope of present guidance from historical research.

THE SUPPLY OF COINAGE MATERIALS

Before the attempt is made to penetrate the mysteries of banking and the money market it will be well for us to explore the metallic foundations upon which the structure of credit was raised. And here it will be necessary for us to keep our first three factors constantly in mind. They were operating for the most part to produce the same results.

(a) First we find the new discoveries of the Renaissance period enlarging the field of mineral exploitation, the world production of precious metals rapidly rising and continuing to do so. Metallic money was becoming more plentiful and consequently tended to be cheaper.

(b) But it was hardly to be expected that the newly opened resources, to say nothing of those already known, would yield the two minerals most highly prized, namely gold and silver, at unvarying cost and in unvarying proportions. It might, however, at first glimpse have been assumed that the world's *demand* for each of them, even though it increased, would preserve them in the same relative esteem, provided—a big proviso—that the relative amounts in supply remained more or less

constant. But this assumption collapses when it is discovered that the cheapening of the less valuable of the two metals, combined with the ever increasing volume of commodity traffic, made the sheer weight and bulk of the silver currency a nuisance to its users in all but moderately small transactions. It was generally agreed, even before the opening of the American mines, that gold was the currency specially suited to the merchants' calling, and, though this was not true without qualification, gold certainly tended from the fourteenth century onwards to play an increasingly important part in mercantile transactions. Thus a growing appreciation of the intrinsic properties of gold led to a perfectly understandable long-period change on the demand side; while on the side of supply the variations in the output in the two metals caused short-period fluctuations in the market ratio which seriously disturbed both the minting authorities and the traders. The former, of course, since they seldom co-operated in their policies, were partly to blame for the confusion, and the latter, or the more understanding of them, were able to make personal profits in arbitrage movements when metallic values fluctuated, without much benefiting as a class. The dismaying properties of an ill-managed bimetallic system, in fact, gave monetary theorists as much to ponder over in the course of three centuries as all the other aspects of currency behaviour put together.

(c) What the European governments attempted by way of remedy will have to be described. At the moment we need only observe that the generally adopted specific operated to lower the value in exchange of the monetary units almost precisely in the way that the American mines were cheapening them, namely, by increasing the supply.

The discovery of the New World was not immediately followed by a startling flood of gold and silver across the newly traversed ocean. Until the thirties of the sixteenth century the quantities shipped over were made up for the most part of consignments of the ransoms and captured hoards from the Caribbean islands and Central America. They were, naturally, large shipments, judged by the standards of the age, and,

although the romantic story of their acquisition helped to magnify the quantities, the Spanish rulers, who knew the truth, were not discouraged.

Europe itself had apparently been producing more gold and silver during the last few generations. From the fifth to the fourteenth century mining and alluvial washing had been carried on in scores of places, but most authorities agree that the aggregate production compared unfavourably with the mineral exploitation of ancient times. The shortage of gold in particular was manifest, and part of what was won in the North and West undoubtedly found its way in the first place to the thriving centres of Byzantine rule. Some of it returned again in individual gold bezants and Moorish maravedis: the greater part remained outside Western Christendom. If the West was being starved of precious metal in the early Middle Ages, the explanation must be sought in other departments of its economic life, for when the Crusades and other more peaceful excursions were followed by a quickening of trade and industry in the cities of the Mediterranean and southern Germany, Europe was able to import the metal it required and to make up any marginal deficit by mining more intensively the ore within its own mountains. The readiest response to new stimuli was experienced in Germany, the Habsburg territories, and Hungary, whence indeed most of the European supplies of ore were to be expected. Hungary had always been a rich source of silver; the Bohemian output increased, and relatively large quantities began to come from Saxony and Tyrol. The Salzburg mines also started to produce substantial quantities of gold. Meanwhile the Portuguese adventurers were tapping the resources of the African coast, so that European supplies were amplified by new gold from Senegal and the farther trading stations on the route to India. In the fourteenth and fifteenth centuries gold acquisitions from all sources are believed to have exceeded in value those of silver. The annual production of both metals together may have been three or four times greater in the fifteenth than in the twelfth century, and the stimulus to increased production in Europe was felt until the middle of

the sixteenth century; shortly afterwards supplies from Europe began to fall off.

In the meantime the American deliveries were being swollen to dimensions which made the European production appear almost negligible. At first even competent observers might have been forgiven for believing that the new Spanish empire was a gold-mine of fabulous wealth. Treasure cargoes in the twenties of the sixteenth century contained about 97 per cent. by weight of gold to 3 per cent. of silver; but this was the loot of Mexican treasure houses, not newly mined metal. In the thirties the percentage of silver rose to 90; in the seventies to 98. It had become clear that silver was the real wealth of the Spanish Indies. From 1545 three areas of American production were furnishing the silver refineries of Seville with bullion. Peru (in the modern territorial sense), Bolivia—the famous Potosi mines were discovered in 1545 and for several decades were responsible for the greater part of the silver—and Mexico (including Honduras). Even in the thirties the total annual output was substantial. In the seventies it had trebled; in the nineties it had increased sevenfold.¹ It remained almost as high during the next three decades, then fell until the middle of the seventeenth century, when the annual registered shipments were no higher than they had been before the Potosi mines were discovered.

There are reasons for believing that the proportion of the American output received under official registration by the Castilian mints of Philip II's successors was growing less. The Spanish colonies themselves required more metal for trading purposes; some part of the Peruvian output was finding its way unofficially across the Andes towards Buenos Aires; smuggling and interloping were encouraged by restrictive Castilian regulations. The decline in Spanish receipts may thus in some measure be accounted for. But these qualifications cannot really obscure the fact that the best known veins of Potosi silver had been worked out, or the equally important fact that even the eco-

¹ It is held to be a modest estimate that the European stocks of gold and silver were increased tenfold between the beginning and end of the sixteenth century. F. Simiand, *Recherches sur le mouvement général des prix*, p. 466.

nomies of the amalgamation process of extraction (which used the Huancavelica quicksilver of Peru) failed in some degree to compensate for the increasing costs of working which were a natural consequence of the rise in commodity and labour prices.

Although the heroic period of Spanish-American mining may be said to have closed in the middle years of the seventeenth century,¹ the falling off in silver production that ensued during the next five decades or so was only relative to the early boom period, and while the late sixteenth-century figures were not touched again until the second quarter of the eighteenth century the stream of new silver furnishing the European mints maintained substantial proportions. It has been estimated that the Peruvian output continued undiminished until the colonial revolt; whilst Mexico from the later years of the seventeenth century became the most productive area of the world, renewing a vitality which its mines had never entirely lost. In the eighteenth century the Mexican output, increasing probably fivefold, assumed at the date of the French Revolution an extent of rather over five-eighths of the world production of silver. The world output meanwhile had been steadily augmented from other sources. The produce of the European mines almost reached the best sixteenth-century figure again in the last years of the eighteenth century, and Siberia began to furnish a modest contribution.

In short the two centuries and a half following the Potosi discoveries witnessed unprecedented additions to the world's stock of silver, an enormous stream of metal, broken by a decline in the rate of increase in the seventeenth century, and distinguished by periods of very high productivity in the sixteenth and eighteenth centuries. Although the crude figures of the later of these upward movements are somewhat in excess of those of the former, the influence of increasing supplies on economic

¹ The recently published investigations of Professor Earl Hamilton into the registered shipments of American treasure into Spain give the impression that the older and much used *estimates* of total production made by Soetbeer and Lexis will have to be revised—generally in a downward sense.

life was naturally less keenly felt, since the fraction of the total stocks represented by the annual increment was now less.

When we turn from silver to gold, we are struck by the relative tameness of the record presented. Spanish America, particularly New Granada, furnished a small part of the gradual increase, but Africa appears to have been the principal source of supply until the early part of the eighteenth century, the Portuguese at first sending big shipments from the east coast and the English at a later date drawing their Guinea gold from the west coast. If we exclude the short early period of Spanish conquest in America before spoliation had given way to mining, the most reliable estimates do not allow to gold much more than 2 per cent. by weight or 25 per cent. in value of the combined world output of gold and silver until the new Brazilian goldfields doubled the annual production of gold in the course of a few decades following their exploitation in 1693. The additional supplies from this source had a no more than temporary importance; the goldfields soon showed signs of exhaustion, and the annual production of gold fell off again after 1760, having touched approximately $4\frac{1}{2}$ per cent. by weight and 40 per cent. in value of the output of the two metals. The output fell back to 2 and 23 per cent. in the Revolution years, and it was not until Russian alluvial gold came into the market in immense quantities nearly half a century later that gold production could claim an equality with silver.

In considering Europe alone it is not to be overlooked that part of the aggregate gain in precious metal was lost in the trade with Asia. In the sixteenth century the unfavourable balance of payments with the East, if it existed at all, was of small account. But soon after the Dutch and English had each launched an organized East India trade in the opening years of the seventeenth century, large cargoes of minted and un-minted silver began to be shipped to the Indies. Japan, it is true, seldom absorbed and usually gave out gold and silver, but it is doubtful if any of this ever came home to stay. The Spice Islands and the mainland of India required no little

persuasion before accepting European cloth and miscellaneous manufactures by way of trade, but their demand for silver could always be relied upon. The English company's trading period from 1658 to 1681 produces export figures showing that of a total of six and a half millions sterling, five millions were sent out in coins and bullion, a sum which cannot be far short of the value of the silver circulating in England at any time during the twenty-three years in question. In the preceding and subsequent periods the proportion of treasure was somewhat less; but in the first fifty-seven years of the eighteenth century treasure still comprised three-fourths of the English shipments to the East. Still, compared with the inflow of New World metal, the leakage was not surprisingly large, and need only be noted as a safety-valve of limited capacity which helped to reduce the inflationary effects of the American supplies and to check movements in the ratio between gold and silver in Europe.

PRICE MOVEMENTS

Since Adam Smith stated with incautious dogmatism that the American mines were for long the sole cause of the rise in corn prices,¹ the dislocating influence of the so-called price revolution of the sixteenth and seventeenth centuries has been a commonplace among historians. The first inkling of the part played by the new metal supplies in the movement of prices seems to have come to the French political philosopher Jean Bodin about two centuries earlier, that is when he determined to write his celebrated *Réponse au paradoxe de M. de Malestroit, touchant le fait des monnaies et l'enchérissement de toutes choses*, published in 1568. From 1566 to 1578 the political literature of France is full of this question. It is true that Lopez de Gomara, the Spanish historian of the conquistadors, stated a conviction similar to Bodin's ten years or so earlier; but Bodin was the

¹ *Wealth of Nations*, Cannan's edn. i. 191. There is great weight in the assertion if the passage is read, as sometimes it has not been, as applying to *English* prices between 1570 and 1640. Elsewhere Smith allows due importance to changes in the denomination of coins, 'this juggling trick', and to debasement. See especially i. 29, 37; ii. 415.

first to treat the matter with analytical precision, and the credit for the discovery has properly remained with him.

Both Bodin and his opponent Malestroit were trying to explain the phenomenon of the fairly sudden general rise of prices in France, and the former was prepared to admit that no single explanation would serve. Malestroit had a penetrating mind, but he lacked Bodin's logical subtlety. Moreover, he was unfortunate in the choice of his commodities for comparison, and apparently got his price figures and mint calculations somewhat confused. The net result of his researches was to establish to his own satisfaction that the prices of goods, when measured in a steady weight of silver, were not changing, and had not changed from the time of Philip VI. Only the silver equivalent of the livre had changed in consequence of a series of mint reductions, but to talk of a rise in prices was absurd: the unit of reckoning contained less metal, that was all. Now it is clear that Malestroit's calculations were based on misleading evidence. Quite apart from the reduction of weight of the livre tournois, prices had for some time been rising when measured in an unvarying weight of metal. This Bodin was able to demonstrate beyond refutation, and he made his discussion more valuable by showing that Spanish prices were still higher, and by indicating the channels of trade and finance through which the new hoards of Castilian treasure were trickling into France. 'The principal and almost unique' cause of the general dearth was the abundance of gold and silver. He adds four subsidiary causes, including monopolies and the devaluation of the currency mentioned by his opponent. A modern monetary theorist would perhaps have pruned and extended the list, adding the possibility of an increased velocity of circulation—since conservatism would restrain holders of money from expanding the size of their holdings of ready cash at a rate proportional to the augmentation of the circulating means of payment—and suggesting the need to inquire how far instruments of credit constituted a permanent and increasing supplement to metallic money.

Paper as a means of discharging obligations had not in Bodin's

day yet assumed the appearance of money, and the fact that, as in the case of metal, variations in the volume of it, or rather of certain of its expressions, tend to alter the purchasing power of the unit in common use, had not become clear to this perspicacious writer or to his contemporaries. The world had to wait until the eighteenth century before its thinkers were prepared to embrace paper substitutes for metal coins within their exposition of the quantity theory, and even then it was easy to overlook some of the many forms of paper credit.

But the development of monetary theory is not strictly within our province. Bodin's controversy with Malestroit has been introduced to help us on our way. Before leaving these writers we may pause to notice that not only was Bodin doing less than justice to Malestroit's insistence on alterations in mint valuation as a factor in the upward movement of prices, but subsequent writers also have been inclined to neglect the latter's defective though useful analysis of that aspect of the problem in their admiration of the more famous writer. Still, the stream of the metal must have pride of place in any enumeration of the monetary influences which went to make the price revolution. The results of the stream were manifest in all activities which involved a money transaction: national boundaries were not respected by the American treasure. A crying-up of the current pieces of money within any one territory might have internal effects very similar to those of a decision to put more than the previous number of coins into circulation. Nevertheless, in the first case the value of the metal held for bargaining for the products of the country's neighbours would remain unchanged, whilst in the case where the amount of metal in circulation was increased, a considerable upward movement in the number of external purchases would at once be observed. In other words, the exchanges would adapt themselves automatically to a new level after devaluation, whether accomplished by crying-up or by the minting of less weighty coins; they would be affected only within narrow limits by an increase in the metallic circulation following the acquisition of new gold and silver.

Of the actual progress of the American treasure as it seeped through the European system in the train of war and trade little need be said. Little is known with certainty.¹ National restrictions on the export of bullion and on the currency of foreign coins put a premium on smuggling and evasion and to some extent impeded the free movement of metal in the ordinary course of trade. The wars of the Habsburgs, alternately strangling and releasing trade between Spain and her neighbours and at first necessitating enormous overseas payments for the upkeep of the Spanish legionaries, released parcels of treasure in jerks, so that we really have to observe a series of local price-revolutions occurring at different times. France experienced the real force of the flood only after the peace of Cateau-Cambrésis in 1559, when prices in Andalusia had already been doubled. Saxony had a private price-revolution of its own in the early decades of the sixteenth century, apparently occasioned by a local boom in silver mining. Indeed, the additional supplies from the central European mines seem to have been hardening prices in Germany and some parts of France and north Italy from the end of the fifteenth century. England escaped this influence and began to sustain the shock of the larger New World supplies after 1550, considerably later than those parts of France which were close to Spain, for example Poitou and Languedoc, and appreciably later even than the Upper Rhineland. Such information as is available for the north of Italy suggests that the greatest rise also occurred between 1550 and 1600.

In general, it may be said that the steep descent of the values of the precious metals slackened in the first quarter of the seventeenth century, and it is significant that at this time the advancing output of treasure in the American colonies was also sharply checked. The Andalusian price data, with a little manipulation,

¹ Antwerp and the Genoese fairs played a large part in the distribution of bullion in the sixteenth century. Amsterdam became the principal market in the seventeenth and retained this position until late in the eighteenth, but long before London in turn took the lead British merchant ships and men-of-war were transporting the greater part of Europe's gold supplies, and the London goldsmiths and the Bank of England were helping to distribute the metal.

can be made to describe a curve which corresponds in a remarkable fashion with the curve of registered gold and silver imports into Spain. The sharp ascent in each case halts punctually in the decade 1591-1600; thereafter receipts of bullion begin to fall off; prices measured in silver maravedis waver above and below a horizontal line for more than half a century.¹

It will of course be recognized that the figures which have been collected respecting European prices during what we have called the heroic period of American metal exploitation furnish no reliable information on the effect of gold and silver movements until they have received preliminary treatment. In view of mint variations they must be reduced to their equivalent in some real or imaginary unit of constant weight. With this accomplished we can arrive at some notion of the movements in the price of any single commodity or service, measuring it in an ounce of silver or even an ounce of gold over the period for which data are available. The next step is to take an average year by year or decade by decade of all the commodities selected for the price index. If desired, more weight may be given to the importance of some articles, the less significant may be pooled and averaged—a procedure which, although excellent in principle, calls for a measure of hardiness perhaps scarcely to be expected of the historical statistician dealing with a remote period. Now the results of this sort of inquiry must be treated with the greatest caution if they are to be correlated with major economic movements, so many are the pitfalls. In every European country at any period before the French Revolution prices varied extraordinarily between one place and another. Local customs barriers and fiscal impositions are apt to make the figures obtained from quite near neighbours statistically incomparable. The expenses of transport and the sluggish news service bearing on such matters as market prices and currency

¹ Our knowledge of general price-movements in Europe in the seventeenth and eighteenth centuries is even less satisfactory than our knowledge of movements in the sixteenth, but it may be taken as broadly true that prices, measured in a constant weight of silver, tended to fall very slightly from about 1640 to the middle of the eighteenth century, when they again rose quickly. In England the relapse began later and was less marked.

edicts also explain the wide difference in local prices. Again, as in France and Germany, unofficial ratings of current coins often prevailed and varied between places. To be added to these are the major problems involved in such considerations as changes in the quality of the commodities examined over short and long periods, and long-period changes in relative costs of production and in domestic budgeting among the articles in supply.

The mere enumeration of these difficulties is enough to show how speculative must be the chances of arriving at conclusions of scientific value in essaying currency comparisons through the ages.¹ When all qualifications have been taken into account, the course of prices recorded for diverse regions compels us to agree with Bodin and his successors when they ascribe part of the responsibility for the price revolution to the American metal discoveries. The remaining responsibility must be allotted in uncertain proportions to successive coinage revaluations (which vary widely in intensity as between countries), to increased recourse to forms of paper credit and later on to paper money. The factor of velocity of circulation may also be important, but here we have little evidence to guide us.²

MANIPULATION OF WEIGHTS AND VALUES

The progressive devaluation of the circulating media was by no means the invention of the State authority of modern times.

¹ The existing literature on the history of prices is very unsatisfactory. So far the only moderately useful results have been obtained by concentration on prices in relatively small regions, such as that attempted for Poitou by the late Paul Raveau, for Alsace by the Abbé Hanauer, for Munich by M. J. Elsas, and for four Spanish regions by Professor Earl Hamilton, who has collected some valuable material, and it is in this field of inquiry that the most useful work is to be expected. Dr. Elsas emphasizes the important factor of population growth in the urban centres at a time when food transport costs rose rapidly with the extending radius of the area drawn upon for supplies. For a statistician's criticism of the literature see F. Simiand, *op. cit.*

² The anticipation that deflationary measures would be adopted through the crying-down of overvalued pieces was apt to cause a sudden rise in prices. A flight to commodities resulted from every one's anxiety to be rid of coins which at any moment might be decreed to have less value. This is what happened to the vellon coinage of Castile in the time of Philip IV.

In all periods of pronounced economic progress there has been an argument of a sort for measures calculated to make a limited quantity of metal carry a heavier load of transactions without putting on the brake of falling prices. This is not to state that rulers and their advisers reasoned in quite the same way; it hardly required the help of a modern equipment of economic concepts to infer that money was getting 'scarce', that there was a 'dearth of coin' at such and such a time. Indeed, the unflattering criticism which economic writers living in a later age of elastic bank money have been moved to pass upon the bullionist and mercantilist statesmen who flourished from the time of Nicholas of Oresme to that of David Hume suggests that these periodic experiences of automatic deflation have not been sympathetically noticed. The blind refusal of successive generations of rulers to see that fresh stores of bullion could not be enticed from their country's neighbours by the artificial regulation of imports and exports has surprised observers who came later, but it must be allowed that the fixed idea of a shrinking metal reserve, which sometimes almost created a persecution mania, had some foundation in fact. And the only certain relief in time of difficulty was an inflation of currency values.

Between the times of Edward I and Edward IV the English penny lost half its sterling silver content. In France the silver equivalent of the sol tournois (the 'shilling' of the livre) was reduced to three tenths during approximately the same period. Similar instances might be chosen from Germany—where the presence of some 600 independent mints and the absence of a strong central authority seem on the whole to have been no worse preservative against the rot than the stronger mint supervision of the nation states—and from the Spanish and Portuguese monarchies where almost incredible orgies of debasement occurred.

This tendency, here mild and there powerful, was everywhere the same. A riot of mint profiteering at the hands of unscrupulous princes and territorial lords usually accounted for the heaviest falls of the unit of account, but the ground lost in this

way was often regained in a subsequent mood of reform.¹ There were also more impersonal reasons for these monetary reductions. One element of instability was present in the nature of the coins themselves. Whilst the technique of mint production permitted only an average uniformity among the coins, the lighter pieces passed more readily in exchange and were worn down in use, the heavier pieces were clipped or slipped out of circulation as small ingots of bullion. In due course a shortage of currency would declare itself and it was then to the advantage of both purchaser and seller at the mint to accept the statement that 'the price of metal had risen'. A new issue comprehending a large number of currency units to the same weight of gold or silver would set matters right for the time being. And so stage by stage the diminution continued until the lowest denominations sank out of use and higher denominations found their way in at the head of the series.

After the general adoption of gold in partnership with silver in the thirteenth and fourteenth centuries a further element of instability reinforced the tendency under discussion. The ratio between gold and silver prescribed by the European mint tariffs varied constantly. The wit of man seemed unable to devise a method of keeping both metals in circulation in the proportions required by the needs of trade. Governments might forbid the export of coins; they might try to force visiting traders from abroad to take back with them nothing but goods; they might insist on their own nationals returning some portion of bargains made abroad in the form of specie; they might attach heavy penalties to the unauthorized use of the melting-pot. Still they must always be watchful lest gold or silver vanish

¹ The debasement of the fineness of coins has been accounted a less scrupulous method of declaring a State 'bankruptcy', and with reason, for the most famous historic instances reveal an underhand game. The practice found its best exponents in the Spanish kings who debased their vellon issues. English readers will be more familiar with the period of debasement which set in during the last years of Henry VIII and was ended by Elizabeth in 1561. The latest and most reliable account of this is in A. E. Feavearyear, *The Pound Sterling*, chaps. 3 and 4. For the riot of debasement during the Kipper- und Wipperzeit in Germany at the opening of the Thirty Years War see the picturesque summary by J. Kulischer, *Allgemeine Wirtschaftsgeschichte*, II. 337, and the authorities there given.

from circulation, attracted by the better terms offered by a rival mint. It was well known among the specialists that the only effective method of checking such an outflow was to offer more advantageous terms for the disappearing metal to traders bringing it to the mint—in principle a simple remedy, in practice one from which a conscientious executive authority might well shrink, seeing that it normally involved a revaluation of circulating coins to bring them into line with the newly established ratio. It was almost inevitable that the calculation of new ratings should be biased in the inflationary sense. Rather than entertain the numberless inconveniences entailed by crying down the overvalued pieces and leaving the rating of the undervalued pieces (which were vanishing) undisturbed, the authorities almost invariably chose the alternative method of crying-up the undervalued coins to a new level which would enable the mints to offer more attractive-looking terms to bullion dealers.

In England the alternating process came to an end in 1601. We may observe Elizabeth, thinking to offer better terms for silver than the continental mints, raising her offer from 4*s.* 10*d.* to 5*s.* for the troy ounce and coining her shillings smaller. At the same time she determines to make a bid for gold by offering 7*d.* and more in excess of the old price; but in order not to interfere with the expected inflow of silver she coins her gold angel of 10*s.* and her sovereign piece of 20*s.* a few grains lighter. As it turned out, she, or rather her advisers, had made an error of judgement. At this moment the production of the Potosi mines reached its maximum; Europe was being flooded with South American silver. The French mint ratio was 11·6 to 1, that of Spain, which for obvious reasons generally led the way in widening the ratio, was 12·2 to 1, that of the Empire was 11·5 to 1. Elizabeth had chosen to narrow her ratio from 11 to 10·9. A small change, but in the wrong direction. It was soon realized that gold pieces were worth more as bullion than at their rating with silver. James I in 1604 altered the balance in the usual way by putting less gold in his angels and producing a new 20*s.* piece called the unite. He could now afford to pay an extra 5*s.*

per ounce at the mint for gold, and the ratio moved out to 12·5 to 1, a considerable jump. Silver still streamed into the mint. Was gold yet undervalued?

In 1611 a proclamation raised the value of gold again, this time not by means of a new issue, but by the expedient of calling up the 20s. pieces to 22s. The ratio was now 13·32 to 1, the widest in Europe. A year later the silver coinage began to deteriorate; no more of this metal came into the mint. The Spanish ratio was widened to 13·52, the French to 13·9, and still no silver came into the English mint. If he had followed precedent James I should now have raised the value of his silver pieces and given more at the mint for silver bullion. A trifling adjustment was made in the gold currency in 1619 which made no appreciable difference, and silver remained unaltered. A great shortage of silver was felt, and this may or may not have helped to bring about the economic depression at the end of the second decade of the century. In 1630 an arrangement was made with the Spanish Government whereby American silver intended for war expenses in the Netherlands—this had hitherto been sent to Genoa for transmission by exchange—should be shipped to England, there sold or minted, and the value conveyed to Flanders in bills of exchange. This device led to a renewal of mint activity, but the fact that silver still fled from circulation suggests that it remained undervalued in England.

No one here can have foreseen that silver would continue to depreciate in terms of gold, yet the governments of Charles I and of the Commonwealth acted as if this were known. They waited; silver remained unchanged at Elizabeth's rating of 62s. per ounce. Meanwhile gold slowly appreciated in the world market. Equilibrium seems to have been reached in England at the later end of the Protectorate, and thereafter it was the gold coinage which stood in need of crying-up. Charles II raised it about 6 per cent. in 1661. The first unites of James I, originally passing at 20s., were now valued at 23s. 6d.

But this last change in the rating of gold had only a temporary significance, for England, having opened two new chapters

in currency history by fixing the weight and fineness of the silver arm of the currency in a fashion which suffered no change for two centuries, and by abolishing all profits and charges at the mints in 1666, suddenly, without discussion or a proper realization of her action, went off the double standard. The new gold pieces first authorized in 1663, were intended in the first place to be made of the Guinea gold brought home by the re-established African Company. They became popular, appear to have ousted the earlier gold pieces which were still rated in terms of the silver pound, and were soon accepted as the most important coin employed in English trade. One of the reasons for their continued popularity, which rivalled that of the louis d'or of France and the Portuguese double moidore, was undoubtedly the fact that by design or inadvertence, probably the latter, the technical administrative procedure required by statute for securing the legal tender rating of all new coins had in part been omitted. The guineas nominally issued at 20s. accordingly floated into circulation untied to silver, and received a value in exchange dependent only on the public's estimation of their worth. Even the government receivers took them at their market valuation, and England for over half a century passed over to what has been called, not very happily, a parallel (or alternative) standard. As we shall see, this was by no means the end of the story.

Space will not permit of an examination in detail of the experiences in bimetallic adjustment which the other States of Europe underwent. In France, where the money of account (livre, sol, denier) was seldom exactly expressed in round figures in the coins of the realm, the progressive deterioration of the unit continued long after England had called a halt. At the beginning of the sixteenth century coins to the value of 11 livres were struck from the marc weight of silver. By petty stages the number was brought to $20\frac{1}{4}$ livres in 1602: the livre was thus halved in a hundred years. In 1641 the louis d'argent first appeared, worth 3 livres and cut $8\frac{1}{12}$ to the marc. The livre had consequently sunk to $\frac{1}{28}$ of a marc. The later years of Louis XIV witnessed a series of sharp deteriorations, to be

explained almost entirely by fiscal exigencies. In the later part of the year 1709 the louis d'argent had become a heavier piece than its predecessor of 1641, but it was now worth 5 livres and the marc of silver was cut into 43 livres. Thus the livre 'contained' (if we may use this term of a fictitious entity) one-quarter of the quantity of fine silver possessed by the unit of the same name two centuries earlier.¹ There were further steep depressions in 1719-21, John Law as controller-general changing the value of the silver money 25 times in one year and that of gold money 28 times, in order to force the holders of coin to avoid further embarrassment by converting it into notes at the National Bank. A partial recovery in 1726 produced 51 livres to the silver marc. After this there were no further changes in the silver issued until the currency changes of the Republic.²

In the course of two hundred years terminating in 1739 we see the same phenomenon in progress at Venice, where the lira loses one-half of its weight in silver and two-thirds of its weight in gold. To the advocate of sound money principles Spanish experience in the same period would have shown a more promising beginning. The Castilian silver real of account and the silver real of the coinage remained equivalent and unaltered at 49.3 grains of fine silver from the great currency reform of Ferdinand and Isabella until Philip IV's recoinage in 1642, when the two parted company, and the celebrated real-of-eight, so popular in romances of adventure, became for everyday purposes a piece representing 10 reals of account. This operated to reduce the real of account to four-fifths of its former silver value, but it does not disclose the facts of the debasement of the unit of account which had in reality been proceeding for

¹ An edict of December 1715 declared an increase in the value of the French coins. Current money was called in and re-issued at a price 43 per cent higher. The urgency of treasury needs was the real explanation of this step, but the edict stated that 'les six corps de marchands de notre bonne ville de Paris, . . . les marchands et négociants des principales villes de notre royaume, et une infinité d'autres personnes, nous ont demandé avec tant d'empressement de donner une valeur plus considérable aux espèces et matières d'or et d'argent'. M. Marion, *Histoire financière de la France depuis 1715*, 1. 71.

² Finally stabilized in the system of the franc by the law of Germinal 1803.

some years. Spain with all her apparent wealth in precious metal had been reduced to minting large issues of a low value coinage in vellon, originally a mixture of copper and silver. The silver in it disappeared promptly after the death of Philip II. The vellon coinage became a true subsidiary, grossly overrated in the tariff. Now this overrating would not have affected its usefulness as small change had the issues been rigidly limited. But mint profits were tempting; limitations were not observed. In consequence most of the silver coinage was driven out of domestic circulation; the residue passed from hand to hand at a varying premium. Thus the public, oppressed by an over-issue of small change, did not observe the official valuation, and in spite of all penal ordinances the premium on silver remained. By 1686 the law had been relaxed sufficiently to accept a tolerated premium of 50 per cent., and finally Philip V, a true Bourbon in his impatience with coinage traditions, recognizing the fact that the vellon issued called the tune, assimilated the denominations of the silver coins to the vellon standard and thus to the current commodity price rulings. Until 1772 the real of account retained the new equivalence. Philip II's 'pieces-of-eight' were now 20-real coins.

It would hardly be possible to set out comparable calculations for Germany without first subdividing the whole area which observed—or failed to observe—the imperial currency ordinances into the fields of influence in which various units of account held sway, and even then generalizations would only be formed with difficulty. But enough evidence has already been advanced to show the direction in which money of account was moving. It may be remarked that the movement was not uniform throughout Europe. In the case of England the deterioration ceased at the opening of the seventeenth century—that is, if we except gold. The same was the case with the Dutch Netherlands, where, after independence had been virtually secured, the guilder settled down to a steady and almost constant course. In France the process of decay was rapid and continued until the age of Louis XV. In Spain the seventeenth century witnessed first the devaluation of the real and later its

approach to metallic stability. Some explanation must now be given of the meaning of 'money of account'. Let us examine it in its historical setting.

THE BOOK-KEEPER'S FRAMEWORK: MONEY OF ACCOUNT

Outside the areas of Byzantine and Mohammedan influence there is continuity of coinage history in Europe from the days of Charlemagne. Perhaps the relative absence of complications in the first five centuries of the Carolingian system is to be explained by reference rather to the poverty of the West than to its love of simplicity and order. However this may be, Charlemagne respected order, and the ruling house of which he was the ornament ceased to mint gold.¹ With the ground cleared, a new system was begun, taking over as its basis and for long its only important metallic expression the old silver unit of the Merovings, the *denarius*. Charlemagne firmly established his pound weight, and out of this 240 deniers (*denarii*) were made. English readers will recognize something familiar in the equation thus created, and the sense of familiarity is heightened when it is further established that 12 deniers continued to be equivalent to the *solidus* which was inherited from earlier days. Thus a firm and lasting framework had been set up, an unalterable scale in which pound equalled 20 solidi and each solidus was composed of 12 deniers. In most of the succession states of the Roman Empire of the West book-keepers grimly fastened themselves to this scale of account as a sheet anchor through the stormy centuries of mint innovations and changing values, always, or nearly always, for the exceptions are of slight importance, finding among contemporary coins something that could be called a denier or a solidus or a pound, or a multiple of one of these.

Some of the territories retained the Carolingian money framework, with its traditional but often confusing relationship to measures of weight, until the end of our period. In England the scale was recognized long before William the Bastard built the Tower of London to house his mint. The silver penny was made

¹ The evidence for this is, however, entirely negative.

the denier of this system. It is a tribute to the conservative development of the English model that its comparative stability in face of the forces of disintegration has left it intact as a workable system to-day. In France, however, when, after a struggle for supremacy with the system of the marc, the pound with its divisions finally established itself as the common unit under Philip le Bel, attacks on its integrity over the course of centuries left the sol and denier in the Age of Reason too small for purposes of commerce. The famous livre of Tours perished unregretted in the revolutionary deluge.

Spain as a whole never knew the Carolingian scheme. In the Middle Ages a complicated system of mixed Latin and Moorish nomenclature was employed. In the kingdom of Aragon, at all events in the commercially developed parts of it, the pounds, shillings, and pence of the Latins established themselves as book-keeping units, flimsy though the bond was between this structure and the variety of coins issued by the different provincial mints. The Catholic kings revised the framework and gave to their kingdoms a resurrected real, which, as we have seen, was for a century and a half identical with the silver currency of the same denomination.

In Italy strange things happened. A silver denier of a sort survived from Carolingian times. So too did the conventional mode of reckoning. The Italian cities were among the first to make silver coins valued higher than the denier. Early in the twelfth century a piece the size of an English penny, or sterling, of that date was fashioned in Genoa and was widely imitated under the name of grosso (groat), sterlino, or quattrino. The last name indicates the value put upon the coin; it equalled 4 deniers of the locality. Some years later a still larger piece began to appear worth 12 deniers, again widely admired and imitated. In Venice it became the silver ducat, in France the gros tournois. The Italian cities found it agreeable to regard this large groat as the solidus of their denier. Thus their money of account was finding enlarged expression in real coins. The final stage of this pleasing process came with the gold florin, first issued in Florence in 1252 and intended to pass current as the lira (= 20

large groats) or pound of the system. So far so good. Bookkeepers could square their accounts by direct reference to the coins in their tills. But, as we know, two sinister influences were always lurking in the background, namely the variations in the gold-silver ratio and the inclination of the mint authorities to make metal go farther. Between them they soon smashed the system. They carried off the gold florin until its holders exacted in exchange for it not 240, but no less than 360 silver deniers of Florence; and they forced the denier to part company with the groat, which now ceased in Florence to be a solidus of anything at all. The Italian merchants refused to be beaten. On the still existing though depreciated denier currency of Florence they built up again imaginary multiples of 12 and 240 as solidus and lira. From the still existing gold florins they dropped an imaginary scale of solidi and deniers *a oro*. A complete series of ghostly units of account was even invented by the Florentine merchants based on an imaginary gold groat supposed to be $\frac{1}{20}$ th part of a florin. In Venice a rather confusing upward jump was taken by making the silver groat of current use the denier of a new accounting scale. In Naples even more remarkable transitions were accomplished.

It was not merely tradition that led to this elaboration of units—confusing to us, but simple enough to the traders of the time. In a world where upstart coins were continually appearing, some with new names and old values, some with old names and new values, it was essential to have a system of accounting capable of remaining stable within its own frame of reference. The whole frame might shudder without warning into a new position, but a little simple arithmetic would establish a fresh set of equivalents for purposes of cash transactions. The only important determination to be made was that of the identity of the basic coin, and here the nature of men's business and connexions would suggest the proper choice.

In the Near East the local moneys were small, poor, and of little consequence. The coins of the Christian Powers were always employed in trade dealings. Until the wars of Richelieu the Spanish real-of-eight, brought in in quantities by the mer-

chants of Marseilles, did duty as the international coin. It was superseded by the French silver coin of 5 sols (tomeen), and this in turn gave way to the large lion dollar of the Dutch. Later still came the noble and famous trade dollar of Maria Theresa. But many coins of diverse provenance were circulating as well as these in the markets of the Morea, Anatolia, Persia, and Egypt; the factors were obliged to give much of their time to exchange dealing, and they kept their accounts in the money of their own countries.

As for the German system, there was none. The tendency, as everywhere else, was to build up money of account, using the small silver coin as the unit-link with concrete reality. But in the Middle Ages the Pfennig (denier) of the Carolingian system, itself in rivalry with the Pfennig of the Mark system, collapsed so preposterously that with the coming of the groat (Groschen) on the rising tide of large coins in the thirteenth century, new systems of reckoning spread through the territories based on the groat and the smaller Kreuzer of Tyrolean origin. Germans appear to have reckoned on a florin scale, equated variously with local and imperial ratings. But since unanimity of decision could seldom be reached by the whole of the empire concerning the valuation even of coins of general currency, such as the Guldens and ducats of gold and the great Talers of silver issued by the most important of the numberless mints, each locality was compelled to work within the narrow system of its own fluctuating small coinage. North and south were generally at variance, and in cities like Hamburg and Lubeck in the extreme north we find a system of reckoning in which the local Schilling and Pfennig have been sprouting a Mark of account. So great was the confusion that a general convention among the German merchants, sanctified in due course by law, enforced payment of obligations in the branch of the coinage stipulated in the contract.

STANDARDS

An opinion may be hazarded that the currency historians of the past have been inclined to stress unduly the interest attach-

ing to the behaviour of gold and silver in their mutual relationship. This can easily be explained by the fact that research into the use made by nations of their currency before the nineteenth-century reforms, as distinguished from mere numismatic lore, was reawakened by the great bimetallic controversy of our grandparents. Nevertheless, though we may attempt to push back the questions of the ratio and the standards into their true perspective, an important place must be given to them in our survey.

The failure of the newly worked mines to preserve the Old World's stocks of gold and silver in a constant proportion has already been noted. With the exception of a temporary relapse in the middle years of the eighteenth century in the price of gold, due no doubt to the growth of Brazilian supplies, the steady appreciation of gold in terms of silver continued from the first quarter of the sixteenth century. Whereas at that time one part by weight of gold would exchange for something less than eleven parts of silver, two centuries later the proportion was one to fifteen. At first the European mints were tempted to avail themselves of the inclination of silver to come in more easily by coining this metal in proportionately larger quantities. In Germany, where the Saxon and Bohemian silver-mines surpassed themselves in output during the Reformation period, gold almost went out of circulation. As time passed some mints which had easier access to gold deliveries—those of England, for example, after the Restoration—began to coin this metal to the full capacity of trade's requirements,¹ and since the superior value of gold as a coinage metal was more clearly appreciated after the first catastrophic fall in the value of the precious metals, the demand for it in preference to silver grew.

On the other hand, the silver tradition had deep roots. When Locke in 1698 subscribed to the view that 'gold as well as other

¹ This was only true in the case of Dutch minting in regard to trade coins and production for foreign Powers. But the currency system of the Netherlands, which embraced series of coins graded in the official tariff according to a somewhat complicated system of dual reckoning, rested so largely on the demands of international traffic that it is misleading so attach much importance to the minting of the standard national issues.

metals is to be looked upon as a commodity', while silver possessed an almost sacred character as the measure of all values, he was only expressing an opinion which had long been implicitly held all over Europe. Gold, we must believe, had been allowed for the sake of convenience to circulate in Europe for more than three centuries, but only on condition that it stole none of the white metal's prerogatives. Yet if the theft were to be prevented it would have been needful that silver issues should protect their cherished status as the measure of all values, first by preserving a reasonably constant valuation in money of account, secondly by forcing gold on to a bullion basis. Had gold coins been treated merely as gold ingots, their value being 'left', as Frederick the Great put it, 'simply to competition', the arrangement would have satisfied the merchants (who in any case seldom had hesitation about neglecting an official tariff), but would have involved sacrifice of profits at the mints. This last consideration seems to provide the economic explanation of the adoption of the double standard and its general retention. The political theories of sovereignty also had their place, of course, but we cannot find much accommodation for the modern refinements of bimetallic advocacy.

Until the English mint was converted to free and gratuitous coinage in 1666 the only territory in which the Government really succeeded in compromising with its regalian principles was the Dutch Netherlands, where the gold coins under the supervision of the States-General were generally rated so low that they failed to remain in circulation. In their place passed the gold coins of all nations, which, it must be admitted, were given an official tariff, though a tariff seldom out of conformity with merchant's practice.

The English experiment with the parallel standard of the silver pound and the guinea worked well until a combination of circumstances in the years following the Glorious Revolution threw everything into confusion. It was nearly a century since the silver issues had undergone a general recoinage. What was now in circulation was in poor condition, clipped and mutilated, and far below its legal weight. The milled gold guineas, being

valued at market estimation, were not driven into the melting-pot, as was new-milled silver, under the operation of Gresham's law. It may be supposed that the six or seven million pounds (face value) of silver limping round the country in light pieces was somewhere near the minimum that England could do with at the existing level of prices. At any rate, for a long while the market price of silver had remained so low that silver pieces bought more than their average content in bullion. The State had given the coins its stamp of precision, and thus authenticated they were worth a great deal more to their holders than lumps of metal. Guineas, on the other hand, were worth approximately their equivalent in bullion.

A new factor was introduced with the foundation of the Bank of England, which received statutory blessing in 1694 as an expedient of war. A certain measure of inflation was already being caused by the issue of numbers of government promises (tallies), but these enjoyed only a restricted circulation. The Bank's paper notes now made an appreciable addition to the means of payment in current use. Prices rose, the foreign exchanges leapt up against sterling, and, what was most significant of all, the price of guineas and of silver bullion rose as well. In fact legal tender silver coins had fallen in terms of everything else, and their actual position in general esteem was hardly improved by the imminent threat of recoinage with or without devaluation. There is room for some difference of opinion upon the relative importance of the disturbing elements in this war-time crisis. The chief one was almost certainly inflation, and this process, by removing a relative scarcity of currency, had now reduced the battered silver coinage to something like its bullion value. Clipping and sweating were on the increase. The Government's remedy, supported less enthusiastically by Parliament and the moneyed interest, was recoinage of the silver at the old weight and values. Into the details of this measure we need not enter, beyond remarking that the greater burden of the cost of recoinage was borne by the State. The deflationary character of the measure caused something like a panic in prices. There was a run on the Bank and that

institution was forced, for a time, to suspend payment; its notes were now accepted only at a discount. Certain steps were taken to check the speed of the fall in prices, but the sound currency school had unquestionably won the day, and the fall in home commodity prices was accompanied by the anticipated rise in sterling exchange.

The country was able to congratulate itself on having re-established its coinage and might now hope to continue on the standard favoured by the winning school of expert opinion led by Locke, namely, a standard in which silver was master with full legal tender status whilst gold acted as an unprivileged ancillary for the use of the growing number of people who preferred to have it.

Such expectations were never realized. The Government found it necessary to check the wild speculation in guineas which occurred on the eve of the recoinage scheme of 1696, and the practice continued of refusing to take guineas in receipt of debts to State departments above a prescribed maximum price. This effectively set a bottom valuation on the guinea in all transactions. The guinea might perhaps rise in value: it could not fall below the Government price. But this price was such that the silver coins were still undervalued in comparison. Following the normal and well-understood process, silver began to give way to gold; it left the country in appreciable amounts, while gold was deliberately purchased with it abroad and brought in to be coined into guineas. Therefore to secure something like a temporary equilibrium between the two metals required for trade it was necessary to induce the public to put a lower value on gold. It could not be cried down in the old Tudor fashion because the double standard had gone, and with it the rigid tariff on the gold pieces. The Government waited until the conclusion of Queen Anne's War before taking heroic measures. A new flood of gold was now endangering the remnants of the recoin silver which had been put in circulation at so heavy a loss to the treasury. Locke was now dead, but the Government's most trusted adviser, Sir Isaac Newton, was able to offer suggestions of higher scientific value than Locke could

have furnished. He proposed to fix the guinea's maximum price at 20s. 8d., or 21s. at the very highest. The Commons accepted the suggestion, and it was ordered that no transactions should reckon guineas at more than 21s. The resulting proclamation fixed no more than the maximum price, and the purist may argue that there was accordingly no return to the old double standard. But he has a parliamentary declaration of the following year to reckon with, which stated that the current valuation of both arms of the currency was to remain unchanged.

On the other hand, the realist may be permitted to hold that Britain had already taken to a single standard, and this on the incontrovertible ground of established fact. When it was decided in 1717 that the guinea could be received at 21s. gold was still overvalued. Accordingly, the drain of silver did not cease. During the eighteenth century Britain, without altogether comprehending the experience, passed on to a gold standard, retaining a modicum of silver, still legal tender but most of it under weight, for smaller cash transactions. She accomplished all but the legal stages¹ of the transition to a system of token silver in a state of absence of mind.

It has been thought by some writers that Britain's adoption of gold monometallism had already been anticipated by the action of the French monarchy in 1577. Following the advice of the officers of the Cour des Monnaies, Henry III issued a monetary ordinance which aimed at stopping the undesirable practices of those who were believed to be raising prices by depressing the market value of the livre. It was thus admitted that the State had failed to make its own valuation effective. The monetary reform introduced the *compte par écu d'or*; that is to say, the Government tried, successfully it is believed, to enforce payments as expressed in gold crowns, the écu d'or sol being convertible into a given number of livres to simplify the transition, and the other current coins being rated according to their relative contents. The real importance of this prophetic

¹ The first statutory recognition of the change in progress is the Act of 1774 which prohibited the tender of silver by tale in the payment of sums over twenty-five pounds sterling.

experiment, which continued in force until 1602, is the abandonment of a money of account whose relations to gold and silver depended on the whim of the ruling prince. But both metals continued to be coined as freely as before, and there is no evidence to suggest that gold took a leading position during the twenty-five years of the *compte par écu*.

On the eve of the French Revolution most of the European metal currencies were still afflicted by, or at all events subject to, the disturbing tendencies which had been evident throughout our period. With the exception of Britain, which had withdrawn her allegiance from bimetallic custom, the larger monetary areas were striving with varying success to keep gold and silver circulating together. In France gold was taking a larger place in domestic circulation during the eighteenth century, and until its later decades the rigid rating of the two metals seems to have been able to preserve the desired balance. Germany was less successful. Better agreement, it is true, was being reached among the majority of central European States regarding the valuation of the large coins in general use, but the improvement thus secured was made at the cost of infidelity to the double standard, and from about the middle of the eighteenth century statutory recognition began to be extended to the quoting of premia on gold coins and the interpretation of contracts as obligations to pay in silver coins of unvarying value. Frederick the Great introduced an important Prussian currency with novelties of his own, but, after vain attempts to preserve fixed proportions in the current estimation of the two metals, he decided at the close of the Seven Years War to allow his darling gold coin, his Friedrichsdor, to be quoted at the market valuation. Prussia and some others of the German States were now at a stage of monetary development corresponding to the floating-guinea period of seventeenth-century England.

Finally, it should be noted that a general adoption of mechanical processes in the manufacture of coins—the roller-mill and the die-stamp—had followed their successful use in France and England in the seventeenth century. Central and northern

Europe abandoned the old hammer and anvil methods somewhat later than the western Powers, and delays were often occasioned by the resistance of the moneyers; but no one could deny that the issue of coins of full weight and uniform shape had benefits for all except profit-making mint-masters and casual clippers. Mechanical methods also brought about a large, if incalculable, saving in the costs of production, which had been very high indeed with the old methods, so high and variable that it is often none too easy to distinguish between mint profits and out-of-pocket expenses of manufacture. Of more restricted interest is the consequent decline of the old type of *giro*-banking as practised at Amsterdam and elsewhere. One of the chief reasons for the popularity of the municipal bank had been its convenient custom of substituting banco money of established weight and fineness for the irregular coins in current use. With the adoption of simpler currencies and more dependable pieces the artificial mechanism of payment in banco lost its attractiveness.

THE FINANCIAL SUPERSTRUCTURE

And now with the domain of cash behind us we can pass with more assurance to the institutions of credit which were slowly undergoing elaboration during our period. It may be well to repeat here the warning previously given, that attempts at time-stratification are fraught with danger. Place and opportunity provided the background for the emergent types. Still, as an indication of how dominant institutions succeeded one another, we might in a rough-and-ready fashion adopt something like the following order. The sixteenth century was characterized by the efflorescence of wealthy and immensely powerful houses founded on the fortunes made in south German trade and mining speculation and on the more strictly *banking* experience of the Italian practitioners. Continuity was broken by a series of State bankruptcies; the great financial houses, whose working capital was for the most part the property of narrow family circles, had not perfected means of passing on their risks to a larger investing public, and they broke under the

strain of their debtors' misconduct. Their place as the typical bankers of their period was taken by a larger, less closely integrated class of financiers much involved in the affairs of the State treasuries of the seventeenth century. The merchant or broker of moderate affluence who chose to enter the field had much success, but the older type of exchange specialist was now being compelled in some of the chief centres to give way before the competition of publicly controlled deposit banks. Small investors were attracted into a market which had now invented the device of transferable shares. If the large banking transactions of the sixteenth century were to a large degree accomplished with the use of the lender's own money and that of a few relatives and business connexions, it is equally true to say of seventeenth-century practice that big business and loan operations were now carried through with borrowed capital preponderating. And we may pass on and remark of the eighteenth century that the most striking feature in the more highly developed centres was the use of bankers' manufactured money. Banks of issue were about to become the dominant type of the west and other deposit banks of less portentous significance were everywhere springing up.

If this diagram of types be accepted as giving a preliminary chart, as it were, of outstanding features, it must still be remembered that many varieties could live together; and when we consider on the one hand the Tuscan and Catalan bankers of the fourteenth century accepting deposits from a wide circle of independent lenders and on the other hand German bankers of the eighteenth century too busy with the scales of the money-changer to have much opportunity for credit operations as they are known in western Europe, we realize that such words as *evolution* must be used with care.

No law of development can be laid down in regard to the capital accumulation on which financial business came to be founded. It would be reasonable to suppose that the sources of financial capital have been much the same as those of capital used in other pursuits. But this supposition is not in itself very helpful, for there is at present no general agreement as to the

fountains of wealth creation which supplied the main stream of capitalist development. We may consider the accumulation of rents from land and buildings, particularly in medieval times, as a contributing factor; and we must remember that in all periods fortunes were to be made by shrewd investors in town properties, whose rentals responded quickly to changes in demand. Yet, although many cases may be found of the small owner of property acting as petty usurer, most of the evidence goes to suggest that large-scale operators accumulated their original fortunes as active profit-makers in trade and industry. Land speculation might play a minor part, but if men invested in rents they were acting rather for safety than for the enlargement of business.

The study of individual cases prompts the suggestion that the largest aggregations of wealth turned to banking use were made in the first instance in the wholesale trades. This after all was one of the best apprenticeships a financial captain could have; it furnished a knowledge of commercial documents, of the refinements of book-keeping, and a nice ability to calculate the profits of the bullion and specie trade. Other pursuits deserving mention are mining operations—though an initial capital was often necessary—the career of a mint master, and the administration of public revenues, the last frequently serving as the beginning of a successful financial career.

An excellent reason for believing that the capital aggregations which amongst other functions served the purposes of the money-lending fraternity had their origin in trading profits more often than in accumulated ground rents is that prices were rising during our period. It might everywhere be observed that revenues from land lagged behind commodity prices, and indeed there was a general tendency for the real return of fixed income investments to diminish. Of course, there were times when the price advance was held back by forces which checked the inflationary trend of the age, but generally speaking the three centuries from the Renaissance to the French Revolution exhibit the phenomena which we associate with rising prices—a movement of capital towards the profit-maker and away from

the rentier, and the accompanying habit of profits to stick more readily to the large capitalist than to the small. Professor Hamilton and Mr. Keynes have endeavoured to prove statistically the necessity for 'profit inflation' in the western States during the period of the price-revolution of the sixteenth and seventeenth centuries. Labour costs, it is demonstrated, rose more slowly than prices; meanwhile the entrepreneur benefited at the expense of the wage-earner and the receiver of fixed returns; it was the age of the speculator and the profiteer. The somewhat crude use of wage material by these authorities will require careful examination before their conclusions can receive general acceptance, for they have overlooked the consideration that wage rates are not a good index to the costs of the small producer who prevailed. Some great fortunes were made in industrial pursuits. Many were lost: credit to nurse the critical subject back into solvency was less accessible to productive enterprise than to trade. It seems probable that commerce, with its smaller demand for fixed capital and its rapid turnover in times of soaring prices, lined the heaviest purses and founded most substantially the new aristocracy of wealth.

But what of true financial capital, that which must have accumulated in the trades of money themselves? Are we justified in maintaining a special category here? The answer is uncertain. The evidence touching the great private bankers does not indicate a common origin in small money-lending beginnings. As a rule these practitioners plunged into finance with the means accumulated elsewhere. The minnows of the money business, village usurers, urban pawnbrokers, and so on, seldom swam into the waters of business distinction; a barrier seems to have separated them from the seas where the whales were spouting. It appears rather as if the aspiring banker had to begin with a certain measure of means and goodwill. He began as a merchant and normally continued to be a merchant when he took to banking; he might then make a fortune in money-dealing. The principal exceptions are furnished by the successful money-changers and goldsmiths, some of whom achieved giant proportions from small beginnings. And they

suffered the same turns of fortune as the rest. Private banking was always speculative; fortunes were easily lost.¹ And on balance it is not certain that financial capital held its ground through our three centuries against the lurking perils of business failure, royal sequestration, and default. How many shadowy competitors went under in the struggle with those who survived with the Fugger, the Medici, and the Rothschilds to make famous names? Without means of gauging the extent of capital recruitment from outside the ring of professional finance we are left in doubt as to the ability of financial capital to augment itself over long periods of time.

These considerations have, to be sure, little bearing upon the history of the great public deposit and transfer banks. Such institutions developed in the full glare of publicity, needing no capital and only an office and a set of rules in order to begin business. The savings of the promoters played no essential part in this financial equipment; working capital was supplied by the customers.

The task of separating borrowed capital from the original capital of banking in general cannot easily be attempted. We are not always sure whether a sum is furnished by a proprietor-associate or by a customer. We do not know how much of the depositors' money was secretly re-lent, especially in the early period before the ban on usury was lifted. But the more the evidence accumulates, the more certain does it become that deposit transactions and loan transactions went closely together. As far back as we can push one branch of banking we must expect to find the other, although, of course, this is not to say that in medieval practice the use of the bankers' own capital played as small a part in his lending operations as in later centuries. 'There is this material difference', observes Ricardo, 'between a bank and all other trades: a bank would never be established if it obtained no other profits but those from the employment of its own capital; its real advantage commences

¹ It is suggested by Dr. A. P. Usher that the frequency of early banking failures is partly to be explained by the scrappy, unco-ordinated character of the book-keeping. A general audit was so rare as to be almost unknown.

only when it employs the capital of others.' We might well hesitate before accepting this dictum as true for all times and places, but it must be admitted that the reinvestment of deposits had some place from the beginning.

LENDING AND WAITING

No close definition of banking can here be attempted; nor shall we find it an easy matter to classify its different manifestations. It will help to clear the ground, however, if we examine first the field of opportunity open to investors of money, restricting the inquiry to those kinds of investment which appealed to the business world as having the self-liquidating properties so necessary for those in whose affairs money was the chief commodity handled. What distinguishes these chosen openings is often rather the hope placed upon easy reconversion into cash than that hope's realization. Of course, it has not always and everywhere been a strict maxim of the financier's craft that only short-term securities must be selected, but most of the tragedies of financial history have been caused by the failure to respect it.

Land and buildings may be grouped with personal obligations as the investments which have had the widest employment among the generality of those with money to put away. Throughout our period the acquisition of rents, mortgages, and the bonds of individual borrowers were the usual resorts of the casual investor. The banking fraternity, on the other hand, preferred risks with profits to the low and steady income, and usually avoided property in land. But short-term personal obligations were acceptable to it, and some forms of them acquire immense importance, for, as we shall see, the handling of these forms could only be undertaken by those who possessed expert knowledge of the debtor's reputation, environment, and special activities, and could estimate in current money the incidence of risk.

Thus inside knowledge of a not very specialized order was needful to the capitalists who financed the new incumbents of purchased offices in France under the system of the Paulette. Loans of this nature were a favourite form of secure investment

under the old régime. The hereditary nature of the office secured the lender against the danger of his client's untimely death, whilst the certainty of a steady income from the office gave a gilt-edged quality to this type of personal loan, although the interest charged was generally higher than that expected from a public security, and higher still than the return which could be had from pledged land.

Land itself cannot be left entirely out of the picture. Mortgages were freely acquired by money specialists as well as by other investors in the areas more remote from capitalist endeavour; indeed, in some parts of Europe the practice of mortgaging titles and alienating revenues from land was carried to such extreme limits that it ranks as a principal factor in the promotion of social mobility. An unexpected catastrophe might find the mass of the landed nobility and gentry mortgaged beyond the limit of safety. Such was the case in Germany at the time of the Thirty Years War, when many family estates found their way into the possession of 'new men' after the Peace of Westphalia, and in England in the same epoch, when the victory of Parliament and its punitive taxation of the royalists led to extensive foreclosures and resales. It is probable that the fortunes of some of the leading Restoration bankers were built up in shrewd land speculation during the troubles.

The rents of land and urban tenements also form a link in the early history of the forms of investment. Under the conditions of the medieval canon law a straightforward loan at interest could only be negotiated at the Christian lender's peril. It is easy, however, to overstress the influence that the teachings of the Church exercised in the regulation of business transactions. Whole communities habitually neglected them. Even in well-regulated circles, provided that certain restrictions were observed, it was possible for a borrower to raise a capital sum by making over to the lender the revenues from a parcel of immovable property. Once the legal difficulties hindering the owner's alienation of the money fruits of land held by him under feudal tenure had been surmounted, this kind of investment became popular with traders and others in search of a profitable reser-

voir for surplus funds. Rents came to be constituted in such a manner that only a tenuous bond connected them with the immovable property from which they were supposed to be derived, and they may be discovered readily changing hands from the fourteenth century onwards in the Italian city-states, in France, England, Aragon, the Netherlands, and Germany. Church foundations appear frequently among the investors. As long as ultimate redemption was left open to the payer of the rent and whilst the rent itself did not exceed the revenues of the property covered by the document, the canonists raised no objection. A later stage was the constitution of rents by analogy on movable property, on categories of unsecured revenue, and even on the general credit of a corporate body. It was this last form of annuity to which Luther so strongly objected. The seal was put upon the modification of doctrine which sanctioned these developments by a bull of Nicholas V in 1452, and the way was clear for the establishment of the great funded debts of modern times.

The technique of rent creation upon the revenues of city-states and municipalities had by 1452 already been created. It was quite common for the larger towns of Germany and the Netherlands and Italy to raise loans from their own citizens and those of friendly neighbours. Venice was perhaps somewhat precocious in the scale and management of its early borrowings. In the twelfth century an institution was founded to handle its bonds or certificates; in the following century recent studies have shown that an active trade in these bonds was carried on, and something in the nature of a market price was recorded. A procedure which was normal in Italy and frequent elsewhere was the consolidation of miscellaneous floating liabilities in the form of a funded debt. In some cases, as in Venice, the administration of those revenues to which the debts were attached was handed over to the body of creditors. They were allowed to set up offices for the transfer of the city's paper in *giro* fashion and to engage in various monetary activities in a way which almost warrants the description of these corporations of stockholders (*monti*) administering the funded debts as precursors of the

public banks of a later age. Florence consolidated its state debt in 1345. In Genoa government bonds (*luoghi*) were being circulated in the same century. In 1407 the State creditors were organized into a tax-farming syndicate, really an amalgamation of *monti*, which accumulated vast properties and became almost as powerful as the state itself. In this case the office of the administrators actually developed into a loan and deposit bank, the famous Casa di S. Giorgio.

Now the city loans were after all only larger instances of those transactions which were contrived by private borrowing. And in the course of time the annuities issued to the public by municipalities manifested the same tendency: they became less firmly attached to tangible assets. In the sixteenth century it was usual to issue new rents on the credit of the municipality backed by its expectations from all sources. The French towns adopted the idea somewhat later than central Europe, where the free cities were in a stronger position, but by the seventeenth century the practice of constituting rents was well established. The public debt of Lyons grew from one million livres in 1540 to 14 millions in 1715, when the town had already begun to default, and to 30 millions before the end of the century. Marseilles borrowed nearly as heavily as Lyons; Nantes had a large funded debt in the days of her eighteenth-century prosperity. The Dutch provinces marketed their annuities in Amsterdam in the seventeenth century, and to the issuing houses of this financial head-quarters the German cities also came to place their obligations. The English towns, however, handicapped by their looser organization and consequently more slender credit, did not follow the continental model of public rent issues. They continued to meet their difficulties by casual mortgages of municipal property or the farming of future revenues.

For our purpose the real importance of city finance is that it blasted a channel for the loan operations of the greater princes and states. Before the Counter-Reformation set in the State debts had reached a magnitude which dwarfed all urban financial experiments. Like their municipal forerunners, the

floating State borrowings were often secured for repayment and interest upon the proceeds of domains and imposts, but as we move into these more exalted circles we find the credit of the borrower to be qualitatively less substantial and the lenders' charges correspondingly higher. The debts of princes, as Ehrenberg has pointed out in his brilliant analysis of Renaissance financial dealings, often had little more behind them than the personal integrity of the ruler, whose promises, though made in good faith, were apt to come to grief when unexpected changes occurred in the political situation. Bad faith with borrowers was not entirely absent. As late as 1665 the Emperor Leopold I would not recognize his liability for the debts of his predecessors; and the jurists were still arguing about the propriety of such conduct in the eighteenth century. Ehrenberg has also demonstrated very convincingly how large an influence the costly wars of the Renaissance period had upon the creation of standing debts. Jewels, Crown lands, revenues in anticipation, the credit of dignitaries, officials, and institutions, were pledged to financial undertakers to meet the immediate needs of campaigns, and frequently the securities proved insufficient for the monarch's requirements. An impressive list might be made of the military setbacks and diplomatic failures which can be directly related to the collapse of princely credit. The loss of the King of Hungary's campaign at Mohacs in 1526, the devastation wrought by the Habsburg troops at Rome in 1527 and at Antwerp in 1576, the failures of Henry of Navarre in his struggles with the League, perhaps the English Medway disaster of 1666, can be enrolled among such instances. But when everything has been said about the financial breakdowns provoked from time to time by stoppage of interest, defaults on principal, over-anticipation of revenues and so on, one still stands amazed at the persistence with which not only the uninstructed laity but also the professional money-lenders pressed sums on loan into the precarious keeping of kings and governments.

Doubtless, as in certain well-known instances, the security offered turned out to be extremely profitable to the lender. The alienated proceeds of princely domains—few rulers even in

extremity would willingly part outright with their lands—provide one example of good security. The grant of mining pre-emption rights and regalities to the capitalists of Nuremberg, Leipzig, and Augsburg as security for imperial borrowings, assisted in the creation of the large fortunes which the lenders, particularly the Fuggers and the other entrepreneurs of Augsburg, employed in international finance. And when these business houses and syndicates took to exploiting copper, silver, and quicksilver deposits on their own account—we should notice particularly the Fuggers' profitable mortgage interests in the Almaden quicksilver mines in Spain—they appear to have found more lucrative opportunities than banking itself could offer. From the middle of the seventeenth century the Amsterdam financial houses negotiated for their investment circle a series of loans with the Austrian Habsburgs in which quicksilver and, later, copper deliveries played a large part as security. It was in this way that Amsterdam became the world market for quicksilver, and incidentally had some uneasy moments when increased production outside the Austrian lands caused a price collapse in the early eighteenth century.

More important than mines as security for State borrowings, because universally available, were the proceeds of taxes. To anticipate future revenue by making it over to a capitalist in exchange for an immediate loan was the natural and obvious course for any ruler in temporary straits. The monarchies of Renaissance Europe had all adopted the practice; in most territories a floating debt of this nature was becoming a regular way of State finance.

We should notice a curious and transient phase in the history of revenue anticipations covering the Reformation period. At this time the governments of Europe are engaged in enterprises of war, colonization, and reconstruction with programmes costing sums undreamt of in earlier days. The political manifestations of national strength seem in many places to have leapt ahead of the powers of local capital markets. It is the age of the concentration of finance in a few great trading cities to which the princes accredit their agents to tap the reservoirs of liquid

wealth. Large amounts are raised in Antwerp, Genoa, Lyons, and Besançon and renewed from fair to fair. The French kings lean on Lyons, the imperial officials have perfected a borrowing technique whilst exploiting the competitive spirit among the merchants of the south German cities, and follow the same methods when in the early sixteenth century Antwerp becomes the financial capital of the north. The courts of Brussels, Madrid, and Lisbon float their obligations among the lending houses which have their chief offices in this great port of the Netherlands; during two instructive and rather frightening decades the English Government goes to the same bourse to finance its day-to-day expenses and learns through its agents Vaughan and Gresham the tricks and pitfalls of loan issue. The episode of Antwerp finance—for it is no more than a short incident in the history of State indebtedness—is closed with the troubles in the Netherlands and a succession of royal defaults. From the point of view of State finance its chief interest lies in the widening of the market for the short-term borrowings of rulers, in the creation of a regular bourse which is occupied with state bonds secured on all manner of revenue anticipations. Thereafter the wealthier States are able to draw much more upon the resources of their own nationals and of foreigners who have settled as denizens. But it is not to be overlooked that the financially autonomous States never scorn the international market when it is a question of creating long-period debts.

From the time of Henry IV and Sully the French treasury finances its floating debt almost entirely out of the capital of home-nurtured money-lenders; and a carefully protected financier class arises, almost a new estate, alternately cherished and brutally assaulted, treated in much the same way as earlier monarchs managed their communities of Jews. In England, however, the tax-farming fraternity was never allowed to develop with the same exuberance; after a generation or two of affluence and hidden power it lost its privileged position with the coming of improved fiscal administration in the reign of Charles II.

England and the Dutch Netherlands escaped early from the

action of autocratic treasuries. Compulsory loans did not reappear in the former after the Great Rebellion, but in France and Germany forced loans, levied in the first case on the well-to-do bourgeois (*aisés*), in the second case on court officials and the noblemen with great estates, continued to be an occasional and dangerous expedient of overpressed finance ministers.

THE FUNDING OF STATE OBLIGATIONS

Tax anticipations remained the stand-by of such governments as were in a position to create funded debts. These may here be defined broadly as securities which had both a marketable quality and some degree of permanence, such as government annuities with several years to run. In origin, of course, the qualification 'funded' means secured on some specified fund or source of revenue. But this is not a necessary attribute of a funded debt as we now understand it. The creation or growth of such a debt might be the result of a forced conversion of floating debt into a long-term debt at a lower rate of interest, as was the case with the Spanish debt transformations in the sixteenth century, or of an improvement in public credit which enabled a government to purvey annuities at a low rate to all who would buy, this last as an alternative to raising short loans at a high figure in a closed market of financiers.

The English and Dutch funded debts arose when the second condition found fulfilment in the seventeenth century. To the States General the possibility of raising a funded debt was suggested by the earlier example of the Dutch provinces, particularly the province of Holland, and when the constitutional looseness of the republic is considered it is not really surprising that the provinces were at first more successful borrowers than the Generality. Regular dealings in republican State paper on the Amsterdam bourse did not begin until 1672, the very year in which large additions to public indebtedness were piled up in the process of meeting the French invasion. The Netherlands, it is generally conceded, escaped disaster in this war by means of their ability to organize and pay a European alliance to threaten Louis XIV. Part of the payments to Vienna at this

time were actually made in the newly-issued republican paper, but only after some very difficult negotiations had been brought to a conclusion by the shrewdly informed diplomacy of Lisola. A striking feature of this novel mode of payment was the agreement to deliver the state obligations to the imperial treasury at their market valuation, and this meant at the valuation of Amsterdam. That any other European State could have successfully equipped an ally with the sinews of war at this period by paying over government stock is unlikely. Dutch credit was recognized as something exceptional. The rate of interest was low and itself an index to the integrity of the Generality; its moderate level may also be explained by the fact that capital seeking sound investment outside the risks of commerce was abundant in Holland throughout the age of her greatness. English writers of the seventeenth century were constantly asking themselves why the return on any profitable investment must be higher by 2 or 3 per cent. at home than in Holland, and produced reasons ranging from the unnecessarily high maximum of the tolerated usury rate in England to the frugality of the Dutch and their superiority in commercial organization. But the truth is that not only did England offer a less specialized field for investment to an undeveloped capital market, but also the credit of her government was a poor thing when compared with that of the States General. The change came in England with the Orange intervention and the Glorious Revolution.

We may date the beginning of the funded debt in England from 1692, when Parliament decided to issue the first sets of life annuities. It has been frequently argued that 1694 sees the real origin of the national debt because the Bank of England subscribers then bought their privileges with a loan which has proved to be the original element of the perpetual debt, apart from certain obligations left over from the partial State bankruptcy of 1672. But there is no reason to believe that any one at the time regarded the Bank debt as irredeemable: it was a loan terminable under specified conditions. The conditions were not fulfilled and the Bank continued in existence. Very soon indeed the Government learned to appreciate the value of

loans which were redeemable only at the option of the State. Such debts would submit themselves to conversion in favourable times, yet would not give rise to apprehension in high places at moments of crisis. After some experiment with funded loans supplied by large financial corporations like the Bank and the South Sea Company and with the issue of lotteries of a highly speculative kind, the State settled down to raising fresh money as required by the sale of simple annuities direct to the public; its credit after the South Sea Bubble (1720) was stronger than that of any mediate institution; it could borrow as cheaply as the Bank itself. But there were moments when lotteries were still required to whet the investor's appetite, and in times of war the British Government, like the Dutch, had to come to terms with powerful groups of loan contractors before it could announce a new borrowing programme. The funded debt, once secured in public estimation, grew rapidly in the eighteenth century; its unredeemed capital sum increased from 12 millions sterling in 1702 to 243 millions in 1786, by which date it had become the leading public investment in Europe. Well might Sir James Steuart say, 'in Britain credit is young; and has been tenderly reared. In France she is old and has been accustomed for many years to rougher usage.' 'Accordingly,' Dr. Hargreaves glosses, 'after the collapse of credit in France towards the end of 1759 Great Britain had . . . the command of all the loanable money in Europe.'¹ Estimates, for example, of Dutch holdings in the British debt in the second half of the eighteenth century vary between 10 and 25 per cent. of the whole; most of the interest due to Hollanders, we are told, remained in England for reinvestment.

France offered rather more dubious opportunities to the capitalist investors of the one European nation of the eighteenth century which made a steady practice of placing its savings in the care of foreign borrowers. The incident of 1759 just referred to was one of several crises which shook but never quite destroyed the confidence of the Dutch bourgeoisie in the French funded debts. In the second half of the eighteenth century the kingdom

¹ H. L. Hargreaves, *The National Debt*, p. 81.

was heavily indebted to Dutch lenders. Thus in 1774 Turgot raised a loan of 60 million livres in Holland. But other loans surpassed this in magnitude, and from the beginning of the century individual investors and the small towns in Holland were buying French rentes.

The story of rentes is, however, largely a chapter in the history of domestic borrowing. Long before the French Crown could offer acceptable terms to the small investor on its own credit, it hit upon the ingenious idea of interposing the more substantial guarantee of the great towns such as Orleans, Troyes, Lyons, and particularly Paris, between itself and the lender. The credit of the State under the absolute monarchy of Valois and Bourbon was after all equivalent to no more than the personal credit of the king. But the *corps municipal* of the town of Paris among others could raise money at a lower rate of interest, and, beginning in 1522, there was instituted a series of loan operations based upon a kind of double contract, the one part between the king and the magistrates for a loan from the town upon the security of certain named revenues, the other between the magistrates and the citizens which promised a fixed perpetual income from the Hôtel de Ville to individual subscribers of capital. So popular did the rentes become that less than forty years after their first issue the Chancellor de l'Hôpital was complaining to the Parlement of Paris that commerce had greatly diminished through the diversion of trading capital into State funds constituted on the Hôtel de Ville. In spite of periodic forced conversion of the current rentes to a lower rate of interest—the Hôtel de Ville at length became no better than an exalted bucket-shop—they remained the most popular form of investment open to the public throughout our period, attracting even the free capital of the wealthy nobles and of the professional financiers themselves. Holdings were easily transferred at market price, and there may even have been precursors of the enterprising Théophraste Renaudot who in 1630 established a bureau (entrance fee 3 sous) open to all who wished to buy, sell, or exchange the various orders of Paris rentes.

But although it was early in the field with its modified form

of funding, the government of the old régime in France never fully took to heart the lesson that bourgeois honesty carries with it its own blessed rewards. On more than one occasion the rentiers of the capital city were provoked to the point of civil strife by governmental bad faith, notably when two edicts of Mazarin, who was himself engaged in market operations in rentes having a very doubtful propriety, arbitrarily suppressed the payment of arrears in 1648 and announced the imposition of one of the unpopular forced loans on the wealthier section of the investing classes. The thoughtless State finance which at this time and so often thereafter forgot its special obligation to *faire bouillir le pot au feu de Paris* explains to a large extent the disloyal attitude taken by this town in the Fronde disorders. And not only Mazarin—with a blind obstinacy Sully, Richelieu, Fouquet, Colbert, and Fleury played fast and loose with the savings of the most conservative section of the middle class. France had a financial statesman of genius in Law and one of uncommon capacity in the great Colbert, but until the brief reign of the economist Turgot, we meet with none who could take a secular view of public credit or perceive in the relations of lending public and borrowing state anything but a war of suspicion and hatred between conflicting interests.

The monetary needs of public authorities exercised an influence on the growth of the investment spirit through the channels already indicated and in various other ways. Saving was promoted among the small capitalists. Certain types of banking flourished on the service of debts and the management of revenues. Some large foundations like the Banks of Venice, of Barcelona, and of England owed part of their dominating influence to the key position held by them in the handling of public money. But while full recognition must be given to these facts, it still cannot be denied that commercial intercourse was the principal nursery of financial growth. The State treasuries went to the centres of business for their loans, sometimes also for their personnel of management, as was the case with the Habsburg rulers; they adapted to their own use the credit instruments which were recognized by mercantile convention; they

had to compete with the requirements of trade when raising funds; and they interfered with the freedom of contract and exchange at their peril. We must therefore glance for a moment at the monetary institutions of the world of commerce.

BUSINESS CREDIT: PAPER INSTRUMENTS

Now it will have been observed that we are giving little attention to the credit aspects of the *production* of goods, as opposed to those of their *distribution*. It may well be that further investigations into the accumulation before the nineteenth century of what may loosely be called industrial capital will persuade the historian to lay a slighter emphasis on the role filled by commerce in financial progress. As it is, most of the available evidence goes to show that until the initial stages of the Industrial Revolution were passed—at different times, of course, in different regions—not only was credit business relatively undeveloped in productive enterprise, but, even where its presence is proved, the resources which made credit possible were generally of commercial origin. Only in mining and some of the textile crafts do we find a self-generating free capital capable of financing business outside its own proper cycle of operations. It may perhaps be forgiven then if the present sketch fails to notice the ways in which credit here and there was active in industrial affairs, for while the producer could and apparently did as a rule fulfil his economic function without any further recourse to waiting than was implied in the creation of book debts (sale credits), the middlemen and, to a less extent, the distributors depended for the proper exercise of their callings far more on being able to take time for cash payments and to borrow capital for the floating of new business. And further, the need to finance dealings which had to be carried through in one place and paid for in another, and the creations of credit documents which could be negotiated among persons who had no part in the transactions out of which they arose, revealed the practical opportunities for specialists in the traffic of debts. Thus the commercial banker made himself an essential part of the machinery of trade.

The forms which mercantile borrowings could assume can probably best be indicated by referring to the principal paper instruments employed. There is this that they all have in common: they embody an understanding that some one is liable or contingently liable for a money payment to some one else. In other words, they acknowledge a debt. And they become negotiable when the right to collect the debt can be transferred.

A useful formal division will give us two main types of the financial obligation proper: (*a*) the simple statement (enshrined though it may be in a monument of formularized verbiage) of the debtor's undertaking to pay a specific sum, (*b*) an order instructing a party named in the instrument to pay his debt. In the course of time both of these have been taught to perform all, or nearly all, the functions of a metal currency. But both have become important in financial history when they have assumed some recognized mark of transferability. When this has happened the document can find a ready sale in terms of cash, serve as a handy pocket for investment, and perhaps assume a leading role as a means of payment. And it should be observed that, while the law governing a territory may be slow in giving its sanction to this recognition of negotiability, there may still be a sufficiently strong convention ruling the habits of commercial communities to ensure that the intentions of all parties to the use of the instrument shall be fulfilled. Thus it is the custom of the merchants which serves, as it were, as the authority of first instance, while municipal law may for a time refuse, but in the long run has to accept, at whatever damage to its principles, the duty of enforcing payment in the fashion which the users of the documents desire. And, of course, it is his scrupulous observation of his social duties in the debatable country between the letter of the law and the accepted conventions of his fellows that gives reality to the credit of the individual. The 'opinion of the Bourse' creates a strict law of its own. From the beginning the scope and influence of credit institutions in the life of merchant communities have been affected by the way in which the representative member has played the rules of the game.

In spite of a certain mist which still hangs over the medieval law of negotiability, it is tolerably clear that the document which recorded the debt had assignable properties of a sort before the ninth century. In the thirteenth century the assignment of obligations was a regular practice among the merchants, who had built up a customary law for their own courts of justice. It is true that the principles of both Teutonic and Roman law stood in the way of simple transfers. Each raised special difficulties, which in the one case made it necessary to admit a certain vagueness into the document as to the person of the assignee, and in the other case made it necessary that the assignee should come into court if challenged and prove his authority for acting as representative of the creditor named in the document.

But since we must believe that redress by legal execution was required only exceptionally, and since some of the documents in use were not of a kind which the civil courts would easily recognize as creating contracts at all, it is clear that the practice of assignment could be followed without too much attention being given to the conservatism of the lawyers. As late as the end of the sixteenth century the European legal systems often frowned on the assumption that the bonds, obligations, recognizances, and promissory notes which circulated in commercial circles as a species of currency were assignable without legal formalities and the creation of stilted fictions. In most parts the renaissance of classicism among the lawyers had actually put back the clock; we find an insistence on the legal appearance of the assignee claiming the debt as the attorney of the named creditor even when the document was payable also to bearer.

Apparently in consequence of this attempt to whittle away its meaning, the bearer clause, which we are told had once given considerable freedom of assignment, almost disappeared from use for a time. The Italian usage in writing an undertaking to pay a party named *or his order* was widely adopted in the seventeenth century; though even here the law was inclined to make difficulties, particularly in France where the document could only be transferred once. In the Netherlands and Italy and England promises to payee or his order passed from hand

to hand with less interference, but in England, as in France, attempts were made by authority to reserve the bearer clause to certain classes of paper such as exchequer bills and the notes of the privileged bank. Promises to bearer were legalized in England, after a struggle in the courts, in 1704; and in France in 1721, following the collapse of Law's experiment with an official note issue.

In spite of all official measures intended to restrict or prevent negotiability, the main types of credit instrument never lost this attribute once it had been commonly recognized.

The simple promise to pay had advantages which preserved for it a position in the forefront of financial practice. 'A promise by a banker of good repute to pay on demand was as good as money and was taken as money.'¹ Whether it merely recognized the holding of a customer's deposit and served perhaps simply as a copy of his entry in the banker's register, or whether it acted as newly created money with no specific deposit to back it, the banker's bearer note has a history which apparently goes back to medieval Italy. It is true that the early records of banking offer more examples of paper promises handed to the banker in return for a loan than of obligations issued by the banker himself. Customers who placed money on deposit with the bankers of Lyons were content with an arrangement which allowed them to transfer the deposit to another party on demand by handing in a *mandat de payement*—a kind of cheque. But in sixteenth-century Antwerp a brisk traffic was done with the bearer bonds issued at a low rate of interest by the principal bankers to their depositors. These bonds ran from fair to fair.

The banker's demand note proper, which served as true paper money, no doubt appeared experimentally in various places before the seventeenth century. Substantial employment of it was, however, not made until the London bankers' shops adopted the promissory note for issue to their depositors about the middle of that century. Most lawyers appear to have allowed full negotiability to this IOU, and full negotiability it certainly received in practice.

¹ W. S. Holdsworth, *History of English Law*, viii. 179.

This innovation, slight in itself, was of far-reaching importance in the development of the modern bank of issue. From these early demand notes, written in manuscript for odd amounts, and made out originally to a named party or his order, a direct line of descent can be traced to the currency notes issued by the central banks of the present day.

Side by side with the written obligation and of greater significance in the early history of banking, there grew up the letter, or bill, of exchange (*tratta, lettre de change, cedula di cambio*). It was, and is, a command to pay, and was especially associated with undertakings to meet obligations in distant places. Many theories have been put forward to account for the origins of this most useful document. There is now a tendency to regard the letter of exchange as growing out of a promise to pay the debt (which appeared in the forefront of an obligation) at another place. This would usually, though not of necessity, involve an exchange calculation, and there is certainly every reason to believe that the specialist in foreign remittances and currency conversion played a leading part in the development. 'The debtor would often appoint an agent to make the payment and would find the need to send him warning instructions about the place, time, and amount of payment. Thus two documents came in due course to be employed, and at length the letter of payment ousted the promise from its substantive position, finally to embody the obligation to the creditor within itself. It grew out of an informal warning advice, 'the satellite of a formal contract', into a command to pay the sum contracted for, and was handled in the course of collection by the creditor or his agents or his assignees just as a modern cheque is handled. The earliest documents which support this view of origins belong to twelfth-century Genoa.

The independent bill of exchange did not, however, assume its modern form until the fourteenth century, and it then became the established practice to present the document to the drawee for acceptance. By this time extensive exercise had already formalized exchange operations over a long period of financial practice in the Mediterranean centres, in northern

Italy, and the fair towns of Champagne. The perfected bill of exchange now spread to England and Flanders and thence to north Germany; rather later, to Scandinavia. Its use became universal among financiers and traders who had permanent foreign connexions.

There are several reasons for its popularity. Under skilled manipulation it accomplished a conversion from the currency of one region into that of another without the risks involved in transport of specie and the dangers of evading bullion restrictions; it cut out actual cash transactions to a large extent. Thus the merchants suffered less than might be imagined from the defects of the monetary systems. The employment of the bill of exchange normally necessitated resort to a member of a small circle of specialists which had a far-flung chain of branch establishments and representatives. The relations of these people depended absolutely on mutual understanding and knowledge. Negotiability could therefore be depended on even though the law-courts of the countries concerned were chary of giving assistance to a third party (not an agent) in possession of bills. The exchange document offered the opportunity for trading in credit, and, by extension, for borrowing and lending money at interest without any challenging infringement of usury laws. A persistent flow of bills passing more or less frequently in settlement of debts from hand to hand eased the tightness of metal currency and, in fact, as the volume increased, acted as an inflationary ancillary.

In the age of the Reformation international trade was financed almost entirely by bills of exchange, only a small stream of specie now flowing precariously along the trade routes for the settlement of inter-state balances and for obscure dealings in bullion. The rates of exchange, moreover, were ruled within wide limits by the demand for bills at the money centres.¹ We have many accounts dating from this period which analyse the complexities of the bill business and list the different kinds of

¹ The import and export specie points were much wider apart than they now are between gold standard countries. This was due to the greater costs of moving bullion and the charges made for coining at the mints.

exchange with the use to which they were put: *cambio minuto*, the straightforward exchange of coins; *cambio reale*, the employment of a bill of exchange to cover an ordinary commodity deal; *cambio sicco*, the use of an exchange document to record a loan, where the bill does not travel to the distant place for payment; *cambio fittitio*, an elaboration of the same procedure; *recambio*, another type of accommodation loan, involving two documents (there and back again), much used in exchange speculation.

During the seventeenth century the bill of exchange made further advances as it came to receive more solid protection from municipal law. The practice of endorsement replaced the cumbersome use of supplementary documents of transfer. The advantages possessed by the bill carrying interest over other forms of credit instrument gave it also a new popularity in such trading transactions as passed beyond no frontier and involved no exchange of currency. Abundant evidence of the wide use of inland bills of exchange exists for the eighteenth century. They were widely used for instance between the French ports, between the great towns of the imperial currency area, where the term 'banker' in common usage stood for the small negotiator and collector of bills. In England a great part of the revenue came into the exchequer in the form of inland bills drawn by provincials upon London tradesmen and endorsed 'for his Majesty's use'. In the Levant a credit area was comprised within the three corners Smyrna-Aleppo-Constantinople, and trade there, at any rate that to which Westerners were parties, was carried on by drawing bills on the commission houses at Constantinople. In most parts of Europe the accommodation bill was a frequent means adopted by the business man to raise ready money for meeting a temporary shortage of cash. But this was widely criticized as a discreditable habit.

It is interesting to observe that even as late as the eighteenth century it was customary both in France and Germany to make bills drawn for purposes of inland trade payable at fairs. The large and important fairs such as those of Leipzig, Frankfort (which had outpaced Cologne) and, in the south of France, Beaucaire, were the rendezvous of the merchants and financial

agents who did business together. If these men were not in touch with the permanent financial establishments of the five or six big cities of Europe where banking was concentrated, it was convenient for them to draw bills in one fair and meet them in the next fair on their itinerary two or three months later. They were, in fact, carrying on a tradition dating from the Middle Ages, from a time when the practice of fair payments was adopted by the greatest of European financiers and presented the phenomenon of a travelling money-market.

LOCAL CONCENTRATION OF FINANCIAL BUSINESS

The merchants at the fairs of Champagne and Brie perfected the bill of exchange before the disturbances of the Hundred Years War made the region unsuitable as the point of concentration for international commerce. Drafts on the home towns of the men attending the fairs were cleared by a crude process of 'setting off' during certain days requisitioned for the purpose towards the end of each fair. When the Champagne fairs began to decline the merchants and professional exchange dealers erected similar machinery elsewhere. At the Geneva fairs the German merchants had made their own peculiar contribution to monetary practice in the invention of the *scutus marcarum*, a fixed reckoning unit in fine gold into which the varying currency units of the time could one and all be converted at will. But Geneva lost its importance as a fair town in the fifteenth century when the French traders withdrew. The Frenchmen were compelled to support a State scheme for the improvement of the international mart at Lyons. And it was at Lyons, for two hundred years the commercial capital of the south, that the system of periodical bill clearance was now worked out with the most elaborate refinement by a community of financiers drawn from Italy and Germany and to some extent from France itself. The French kings extended the town's quite exceptional privileges somewhat tentatively at first, since they were nervous that the national currency might be drained away in the vast traffic of this frontier mart. But the export trade of Lyons grew to be very great in the sixteenth century, and, since

even the net balances outstanding at the end of each bill clearance at fair time were themselves normally carried over in bills of exchange made payable at a later fair, the actual cash employed was clearly small in amount. Lyons, therefore, was to suffer little from strictly economic interference at the hands of the monarchy, and although the commodity trade dwindled in the seventeenth century, and although religious and political measures by degrees altered the balance of nations represented in the *Chambre de Compensation* and more Frenchmen came in, the financial structure remained unimpaired. The convention of the four-a-year *payements* was retained and it was at the fairs that a great part of the financial activity took place. But the deposit and bill business in the hands of the polyglot banking fraternity went on all the time. Many of the kings of finance either lived there or set up their principal branch establishments in the town.

A Venetian ambassador wrote in 1528: 'Lyons is at the foundation of Italian commerce and in great part of the commerce of Spain and Flanders as well.'¹ A century and a half later a French publicist insists with equal emphasis on the key position the town occupied in the business of trade remittances and money-lending:

Denmark, Holland, Sweden come to Lyons to do business, to secure letters of exchange for their purposes in Italy, Spain, and beyond the Mediterranean; England and other kingdoms have no other passage save through Lyons on their way to Italy or elsewhere if they want money; Spain is in the same position, and those who come from the lands of the Grand Signor and the Indies go through Lyons on coming to France in order to obtain money or letters of exchange.²

It was above all the Italians who built up this business, although they lost their grip on it at Lyons after the death of Henry IV. The Florentines and Lucchese were especially prominent, while the Genoese co-operated for a while. But the money interests represented by Genoa drifted away during

¹ A. Navagero, quoted G. Martin, 'La Monnaie et le crédit privé', in *Revue d'histoire des doctrines économiques*, ii. 17 (1909).

² Bezzan-Arroy, *Traité des Usures* (1674), p. 164.

the sixteenth century into the Spanish sphere of protection. The Emperor Charles V gave the Genoese bankers fairs at Besançon in 1537, and they carried there the practice of *scontration* (periodical clearance of bills at formal sessions) which had been developed at Lyons. The religious wars at last made Franche-Comté unsafe for financiers, and we may thereafter catch glimpses of the Genoese moving their exchange fairs uneasily from place to place in search of security, now at Poligny, now Chambéry, Plaisance, Asti, Novi (1621-48), and at last at the beginning of the eighteenth century at Ste-Marguerite near Genoa itself.

The Genoese bill fairs, of vast importance as the source of the capital which made it possible for Spain to build her colonial empire, did not touch merchandise in the substance. They were the creation of bankers, acting for their customers and on their own account. Whereas in Lyons the merchants whose bills were circulating had normally to be present at a session of the *scontration* themselves. The famous Spanish fairs of Villalon, Medina del Campo, and Rio Seco followed the model of the Genoese and were almost exclusively financial in character. They were damaged by the *alcabala* (a 10 per cent. tax on transfers) and are said never quite to have recovered their one-time high prosperity after the State bankruptcy of 1575.

In the sixteenth century bill business was in most parts linked up with the fair almanac and comprised the major portion of the bankers' work. In the seventeenth century this was still largely true in southern Europe and in Germany east of the Rhine. The German fairs, which flourished exceedingly at this time, presented one of the few signs of energetic economic life in a weak and devastated land. In the north of Europe the old periodicity had been smoothed out. Those whose calling took them to Antwerp in the days of its greatness had been accustomed to see bills, particularly finance bills, made at one fair to be renewed or paid off at the next, but there was no universal rule, and there was no *scontration*. The bourse functioned all the year round. 'A continuous fair' was the aptest description a visitor could write of it. The failure of northern Europe to

adopt the Italian clearing-house procedure ought not to be regarded as a symptom of backwardness. Rather it marks the emancipation of the money-markets from an outmoded, if ingenious, elaboration of medieval trading conditions. The growing sea-borne trade of Atlantic Europe could be governed by no obsolete time-table of the pack-horse merchant.

There is a striking modernity about the happenings at the international mart of Antwerp in the early sixteenth century. The town's prosperity was created by men engaged in newly opened trades who had access to what for the period were large amounts of liquid capital. The petty municipal control of trading in the old *entrepôt* towns like Bruges was not to their taste. They wanted freedom from this and from the interference of the canonist doctrinaire. So they made the market on the waters of the Scheldt an incarnation of their Idea. The bourse which they founded proved to be anything but the exclusive preserve of the leading traders and bankers. There was constantly pushing in what Bagehot was later to call 'the dirty crowd of little men', who picked up the devices of the money-market and cut prices to the skin. The established businesses whose names were on the lips of treasury officials in all the capitals were unable to close their ranks against the aspiring adventurers that intrigued in this city of Babel. Speculation in arbitrage or lotteries might launch a new master of finance in a day; failures were frequent and inevitable. It was the gambling spirit of Antwerp which assisted in turn the rise and fall of the malignant figure which for a while assumed the post of imperial financial agent. Gaspar Ducci, one of the many Tuscan fortune hunters of the day, started in the town as trading intermediary between some merchants of Lucca and the English cloth factors. He passed into other trades, became a broker in merchandise, and at length entered finance. His operations soon shook the bourse. He was accused of conspiring to create sudden artificial scarcities of money which threw the business of national loans into confusion. He climbed through various minor offices at the Brussels court and became councillor and agent to Charles V. He was then ennobled and married a rich

Flemish lady. Privately he acted as banker and member of financial syndicates. At this stage of his career, hated and feared for his scheming and brutality, he swayed the fortunes of even the most prominent bankers. A band of bravoës was hired to beat his personal enemies in the street; elaborate operations on the bourse struck at the credit of other rivals. His claim to permanent fame is that as royal agent he organized the bourse subscriptions of small investors, thus instituting in Antwerp the procedure which the Cardinal de Tournon adopted in France, whereby the big financiers lost their monopoly of the Crown loans. However unpleasant may have been his private behaviour, Ducci for some years served his master well, and secured far better borrowing terms than had been open to his predecessor in office. He fell suddenly from favour in 1551 on suspicion of conducting too large a financial business in France, and retired into obscurity as quickly as he had emerged.

But we have really no space to consider the fortunes of individuals or the princely houses which some of them founded. The activities of the banking profession might be exemplified in the careers of the Fuggers, who started in the fustian business and grew rich enough to determine the fortunes of empires; of the Imhofs; of Hans Kleberg of Lyons; or of the Herwarts who ruled in Augsburg, Antwerp, Lyons, and Paris during two centuries. Many of the financial chieftains were on the verge of ruin when Antwerp lost its leadership to Amsterdam, and the wars of religion produced a new balance of forces. The never-ending struggles of the Habsburgs almost destroyed the financial interests in Seville, Burgos, and Lisbon. With the seventeenth century we seem to be in a world of new men and new markets. London, Rouen, Marseilles, Bordeaux, and Hamburg were rising into the front rank. State policy strove to canalize the stream of credit into national schemes. Colbert's mercantile State-building, followed by the Revocation of the Edict of Nantes in 1685, expelled the foreigners from the last of the old international 'liberties'—Lyons. Even Amsterdam, which had now assumed the leadership as a centre of credit and

investment and as the world market for gold and silver, cannot be said to have offered the same sort of opportunity as Antwerp had once provided for men who had no main anchor in any national port.

The rise of Amsterdam signifies the retirement of the Italians (save perhaps the Genoese) and the Spanish from their share in the leadership of north European finance. In this new market a different atmosphere seems to surround the dealings. What strikes us most is the anonymity of finance. It is no longer a group of half a score of great firms that dominates affairs, bargaining individually or in syndicates for the plums of investment. Instead there grows up in Amsterdam a handful of much more highly organized markets, served by a host of dealers of moderate stature. A list of Amsterdam exchange quotations exists for as early a date as 1585. The bill business soon found a new centre there. The field for capital investment was widened by the adoption of the joint stock principle in the ownership of commercial undertakings. Men came into the bourse to speculate not merely in foreign exchange but in shares of invested capital. The bull and bear became recognized figures soon after the foundation of the East and West India Companies (1601 and 1621). Again and again between 1610 and 1677 we hear of the States General intervening by ordinance to forbid time-bargains. Their efforts, however, were no more effectual than those made in England when Sir John Barnard's Act became law in 1734. The commodity markets rivalled the bourse in speculative opportunities; Hollanders became the world's distributors of staple wares, and they achieved sufficient standardization in the principal articles (metals, corn, timber, spices, &c.) for the carrying on of a brisk generalized trade in the markets. Dealers could now buy and sell wares they had never seen and for which they made no provision of storage, and *actions* in companies of whose operations they had but the vaguest notion. There were 300 brokers in Amsterdam in 1612. Later, when it was found impossible to restrict them to one class of operation, they became more or less merged in the ordinary press of merchants. Financial developments could

hardly have proceeded so quickly had it not been for the great volume of commerce controlled by the Dutch. The features of Amsterdam's monetary predominance in the seventeenth century, which are familiar enough to the economic historian, its smoothly-working banking organization, its control of precious metal distribution, its specialization in marine insurance, its capacity to float and market almost any form of security with the assurance that Dutch savings would be forthcoming, even the remarkable speculative booms that periodically excited the populace, all these were the results of advantages skilfully seized and exploited which turned the Dutch Netherlands into the world's magazine.

The decline of Amsterdam as a money centre during the eighteenth century was more gradual than its rise at the end of the sixteenth, and again, as in the case of Antwerp, the causes of decline were hardly connected with defects of the financial machinery itself—unless it be held that British banking gained some relative advantage from the precocity of its note issues. Just as Britain later on was to reap more than proportional advantages from those special circumstances which gave her an early start in the mass production of industrial products, so Holland drew to herself the surveillance of European finance as the result of a successful snatch at commercial leadership. In both cases established custom and a monopoly of certain kinds of commercial experience preserved for the leading country the fruits of past endeavour after the original inequalities among nations had been removed. Holland was being successfully challenged by her English neighbour in her control of maritime transport by the beginning of the eighteenth century. France was then also a great commercial power. But Amsterdam clung to its financial primacy with tenacity, and in the capacity of arbiter of the exchanges can hardly be said to have yielded to any of its rivals before the revolutionary war and the collapse of its Bank.

Paris and London were, indeed, the only serious rivals in the field. Paris during the early years of the eighteenth century began to outstrip Lyons in the volume of its financial busi-

ness, and soon became the undisputed centre of French banking. The bourse was founded in 1724. Marine underwriting and other insurance interests took up their abode in the capital city. But as a bill market and international loan market Paris could not offer the advantages of Amsterdam. It lacked a sufficient backing of solid enterprise. Had John Law's scheme of financial centralization succeeded, Paris might have climbed to world primacy. But this failed, and large-scale banking was discredited for two generations. The suggestion of State support would have been a positive hindrance to any new project. The external trade of France was quadrupled between 1715 and the Revolution—a larger growth than Britain experienced—and this in spite of the damage to colonial interests wrought by the Seven Years War, and in spite also of the backwardness in matters of technique of the Paris money-market, preoccupied as it was with the infertile culture of the national debts. It was to the enterprise of the provincial towns, of Marseilles, and above all the Biscayan ports, that France owed her commercial expansion.

In Britain the case was very different. Here financial concentration was brought about with ease; there was nothing artificial in the growth of the London money-market. When the Bank of England was founded the port of London controlled more than three-fourths of the country's overseas traffic; the City was the natural place of business for the bankers. And as provincial requirements of cash and credit increased during the eighteenth century, the central mechanism of finance in London, already functioning vigorously, had only to be adapted for new uses. London was the issuing-house for new capital enterprise, the bullion market and the bill market. Apparently the first foreign loan floated in London was one for the Emperor with subscriptions to half a million during Marlborough's war. The conjunction of England's capture of the overseas trade of Portugal with the opening-up of the Brazilian goldfields allowed London to compete with Amsterdam in the shipment and handling of bullion. This trade was augmented by the diversion of part of the supply of Spanish-American silver through

the British colonial ports and thence to London and Amsterdam. The City's bill brokers handled a correspondingly large share of international mercantile paper. In 1763 Amsterdam, drained dry of money by the English and Prussian borrowings for the late war with France, experienced a financial crisis which shattered the credit of some of its principal bankers and shook the stability of Hamburg, Bremen, Berlin, Leipzig, and Stockholm. London suffered least among the centres that traded in Dutch bills, and perhaps gained most in the long run from the loss of foreign confidence in Amsterdam.¹ It is true that the next crisis, in 1772-3, which began with a panic among the customers of the English banks, following a burst of speculation, and spread eastwards via Holland, did London credit as much disservice as it did that of Amsterdam; but Amsterdam had more to lose. Its English competitor drew level round about these years.

THE BANKER'S CRAFT

We must now make some attempt at classifying the banking institutions which have already been referred to in the course of our discussion of investment, credit paper, and financial concentration. Until the eighteenth century very few enterprises that look like modern banks had made their appearance at all. Not only did financiers who acted as bankers prefer to call themselves something else; in most cases their banking was carried on jointly with, and perhaps by virtue of, some other occupation; and there have been occasions when the disposers of capital funds actually took to money-lending and banking in order to secure for themselves the opportunity of exploiting

¹ 'Wealth, it is said, no longer procured credit, or connection any more gained confidence. The merchants of Europe remained for some time in consternation because every trader feared for himself, amidst the ruins of the greatest houses. It was at this crisis that the British traders shewed the greatness of their capitals, the extent of their credit, and how little they regarded either loss or gain . . . They trusted correspondents, whose situations were extremely unstable, to a greater amount than they had ever ventured to do in the most prosperous times. And they made vast remittances to those commercial cities where the deepest distress was supposed to prevail from the determination of the wealthiest bankers to suspend the payment of their own acceptances.' G. Chalmers, *An Estimate of the Comparative Strength of Great Britain*, edn. 1794, p. 117.

privileges which could only be got at in that way. We ought then, perhaps, to pick out our bankers by reference, as it were, to the signboards which they displayed, such as that of bullion-dealer, wholesale merchant, writer for the law, or whatever it might be. This seems to be a satisfactory method provided we do not multiply labels unduly and that we remember that the most instructive answers are elicited not by the question 'What is his professed trade?' but rather by the question 'What financial functions are performed?' This last question will be of especial importance when we try to understand the nature of the *public* institutions calling themselves banks.

'The typical bank', it has been said, 'is an enterprise which receives sums of money on deposit, and profits from these on their way through its tills, in the same way as it does upon capital furnished by itself, by agreeing to advance loans or credits for short periods, adjusting these to the probable demands of its depositors for reimbursement.'¹ In order of time the first pursuit which led to activities having a wider implication than those of mere usury was that of exchanger. The early banking businesses of the twelfth century were closely identified with the handling and exchanging of the coins of all territories, and, whilst the range of their deposit receipts is not very easy to discover, there is no doubt that they strove to enlarge their profits by borrowing and lending money amongst the merchants and officials who employed their services.

Among a more exalted clientèle the Knights Templars carried on in the same period transactions in deposit, exchange, and credit, using their own private network of communications for the remittance and payment of sums due in distant parts of Europe.

Both the professional exchangers and the religious knights appear to have built up their credit connexions as an extension of operations in simple exchange. The possession of a strong cash-box may also have had something to do with the demand for their services. The Templars were suppressed in the early

¹ A. E. Sayous, 'Les Opérations des banquiers italiens . . . pendant le 13e siècle', *Revue historique*, clxx. 4 (1932).

fourteenth century, partly on account of their wealth, partly on account of alleged unorthodox practices. The exchangers continued as the typical bankers, until their position was challenged by wholesale dealers from the industrial towns and seaports of Italy. A firm of merchants operating in several countries has to create some machinery for the remittance of money from areas where goods are sold to areas where goods are purchased. Thus the traders of Siena and the Florentine wool-dealers with interests both in the north and in the south of Europe set up a system of agencies and communications which served their purpose of transfer. The provision of facilities to other parties less well equipped in this respect came as a natural extension of business, for a charge could be made for services rendered, interest could be earned on sums credited to the use of third parties, and much trouble could be saved by accepting commissions for the payment of money in those areas in which balances of cash tended to accumulate. Moreover, free balances could be lent as temporary investments in one place, and money accepted on deposit in another where the cash-box had a way of being empty. Thus merchants who took to exchange and banking as a by-employment might find it profitable at last to put most of their resources into finance; and this tendency has been manifest among experienced traders at all places and times.

Although the distribution of attention and capital between trade and finance differed with temperament and opportunities, the nexus between them was seldom lost in the medieval period. We may even go beyond the Middle Ages and say that in the merchant banker we have the type *par excellence* of banking practice from the thirteenth to the eighteenth century. The frequency of failures was sometimes attributed to the persistence of this duality of function. How could depositors be protected against the use of their money in the speculative trading ventures of their banker? The authorities might impose restrictions, demand bonds or deposits, as was done in Venice and Barcelona, but the complete separation of banking from commerce would seldom have been capable of enforcement. An easier remedy

was the provision of alternative facilities through the erection of a public deposit bank.

It was the Papal connexion in the later Middle Ages which gave universal prestige to the commercial banking houses of northern Italy, the *campsores camerae apostolicae* of Pistoja, Lucca, Siena and, later, Florence. Groups of merchants took over monetary administration for the Curia in much the same way as the Bank of England was later to act for the British Exchequer. In addition their agents collected Papal revenues and invested the local surpluses which were wont to accumulate in most parts of Western Christendom. These balances were sometimes left in their hands for years. The Papacy was the safest and most profitable customer a banker could find in Europe; its immense political influence lent him protection; it would indemnify him against losses due to happenings outside his own control; it disposed of a 'patronage' in the field of economic concessions which would anyhow have justified the acceptance of certain risks. In their financial relations with temporal rulers in England, France, Naples, and Sicily, the Italian merchant bankers were less uniformly successful. Siena lost its pre-eminence when it backed Frederick II against the Pope, and the head-quarters of ecclesiastical finance moved to Florence. Florence in its turn was severely hit by the default of the English Crown in 1345, but in this case the Medici were able to build up a new prosperity on the failure of their rivals and for a time almost monopolized the Pope's financial affairs at their establishment in Rome. In their turn they gave way to the German Fuggers, who had a banking office in Rome from 1500; but shortly afterwards the happenings of the Reformation in the north led to a diminution of Papal revenues and a consequent decline in influence of the financiers to the Curia.

In selecting for special mention the careers of the giants who became attached to the Papal treasury we are really anticipating our next great category, the profession of revenue collector; for the service of State revenues was not the concern of the average merchant banker. His own especial role was the financing of trading operations with occasional excursions into the

promotion of industry. Some of the Florentine houses were closely connected with textile manufacture; the south German financiers of the age of Maximilian and Charles V had an even firmer liaison with mining enterprise; but generally speaking, and particularly after the crashes which tumbled down so many of the great financiers of the Renaissance type in the second half of the sixteenth century, the merchant banker kept his money and that of his depositors in the form of short-term advances to trade.

An enterprise became a banking institution because it had command over large supplies of cash or its credit equivalent 'on their way through its tills'. With a credit connexion it could work up a deposit connexion, and in the business of exchange and merchant banking this deposit connexion was at its firmest with people who were professionally interested in mercantile dealings and foreign exchange. Beyond these merchants were the saving townsmen generally, beyond the townsmen the landed interests. Ambrose Höchstetter, the Augsburg monopolist, a member of the family that opened up the Cumberland copper-mines in Elizabeth's time, is reported to have accepted deposits from all and sundry. 'Princes, counts, nobles, burghers, farmers, serving-men and women have deposited the money they had' with him, says the chronicler; and he paid them 5 per cent. 'For a time he must have paid interest on a million gulden.' But, our information continues, 'it was common talk that he lied freely'. This house of Höchstetter, which did business on highly speculative lines, appears to have been something of an exception among sixteenth-century financiers. It is not usual to find anything resembling an open shop; the merchant banker of this and succeeding periods had not the proper office technique for a general deposit and investment practice.

In some centres there appears to be some evidence of bill and produce brokers entering the circle of finance. There are undoubtedly instances of this in seventeenth-century London, possibly too in Amsterdam, where, as we have already noticed, the brokers began to play a large part as principals in com-

mercial dealings. But no doubt the cases on record ought to be treated as those of merchant bankers who happened to be doing some broking, and as having no special significance. In Marseilles, however, an interesting adaptation did occur. When reliance on the credit services of Lyons began to be withdrawn, the official brokers of the port—they were made royal functionaries in 1692—who had a monopoly of the right to act as business intermediaries, may be found setting up *caisse ouverte*. When this practice was recognized by authority in 1709, they worked up an extensive local credit connexion among the commercial users of the port and assumed the role of local bankers. The severe crisis of 1774 in Marseilles which came at the end of a universal panic in Europe was partly due to their speculative dealings. They had become extremely unpopular; three years later they were suppressed by government edict.

In passing we should make separate mention of the banking enterprise of a small class of coinage officials, namely, those who were permitted to take over mint regalities from the princes as thoroughgoing commercial propositions. They had under their control the disposition of large balances of cash, and when the office was associated, as it sometimes was in central Europe, with the management of the local mines and the control of exchange operations, it offered considerable possibilities to the astute financier. Italian moneyed men in the Middle Ages had, at different periods, mint privileges in England, France, and Germany, and in the last-mentioned area in particular native talent was exercised as well. Venetians were set up as mint-farmers in the crusading territories in Palestine and Syria. But in western Europe the growth of the centralized State was scarcely compatible with the commercialization of the mint prerogative for banking purposes, even though private capitalists might still be preferable in the character of mint concessionaires to paid officials of no credit and questionable honesty. In any case the coinage banker has to be looked upon merely as a special case of the revenue farmer, who appears next in our list.

PUBLIC DEBTS AND PRIVATE BANKERS

Although the private farming of State revenues has a strong flavour of medievalism, even of antiquity, it is hardly necessary to delve into origins. In the Renaissance States tax-farmers were to be met with everywhere. There was, of course, nothing strikingly new in this period in the employment of these people as financiers of State, but there may be observed two fresh tendencies at work. The first was for governments to restrict employment, wherever possible, to subjects and denizens. Spain did not succeed in this until the eighteenth century. In France the carefully protected and unpopular compatriots of Catherine de Médicis gave ground by degrees to home-bred *traitants*. In England the transition was accomplished earlier still. The second tendency was towards greater specialization of function. The Frescobaldi had farmed revenues for the Plantagenet rulers as a side-show. By the seventeenth century the customs farmers of London and the collectors of *gabelles*, *aides*, and *tailles* who had their offices in Paris or Versailles came to be closely identified with treasury affairs as professional financiers. In England the revenue collectors enjoyed a time of great prosperity from the establishment of the Great Farm of the customs in 1604 to the collapse of Charles I's personal government in 1640. In France a consolidation of the items of revenue into a few large blocks under syndicate control also occurred, but over a wider field than in this country. The system lasted there until the Revolution, and indeed constituted the most characteristic and the most formidable of all the administrative institutions of the old régime. At the head of the societies of *partisans*, or *traitants*, stood a small group of influential capitalists, often working in close connexion with independent financiers. The *partis* were completed by the adherence of lesser people holding smaller shares. The individual *partisans* themselves, who generally employed deputies for the actual collection of taxes, had their own private circles of investors, or depositors as we might be bold enough to call them. The whole syndicate partitioned the revenues for purposes of collection and at intervals paid an

agreed sum, in advance, to the Crown as the rent of the concession. There may have been waste in the system; it was certainly corrupt and oppressive; and there is probably truth in the allegation sometimes made that the preoccupation of the large investors and their dependents with the financing of State expenditure prevented the development of commercial banking in a country whose resources could have been developed more efficiently by the diversion of savings into productive channels. The ministers of State were well aware of the iniquities of an institution which aroused execration among all classes and absorbed more than one-third of the revenues in management expenses and private profits. From time to time finance ministers would set up *chambres de justice* in order to force members of syndicates appointed by their predecessors to disgorge a part of these profits. The threat of such a process might be enough to bring large sums of conscience money into the treasury. Colbert, Le Peletier, Law, and Turgot all conceived designs for the reformation or supersession of private enterprise in State finance; Le Peletier and Law made experiments with alternative forms of administration. The difficulties were too great, though Law might possibly have succeeded had other troubles been less pressing. A civil service must take time to train; the initial mistakes of new and fortuneless officers could be more costly to the Government than many years' ransom paid to the farmers, who, to be sure, were selected from those whose credit was secure against default. The most troublesome obstacle to change was the absence in France of any alternative financial machinery for the provision of ready money in advance of revenue receipt. The bankers of the Crown, army contractors, *fermiers généraux*, *receveurs de finance*, *trésoriers des États*, comparatively large in numbers, notorious for their wealth, formed an almost distinct class in the community, a *demi-monde* of finance which used all the leverage at its disposal to prevent reform.

In this period of thirty years [says Thirion, speaking of the time following the collapse of Law's royal bank] contemporaries who were aware of the humble origins of these handlers of money . . . might observe with shocked surprise that they were becoming masters

of all the powers and of all the strong-boxes in the kingdom; that they controlled the king through the women who passed out of their own ranks, the nobility and the magistracy through marriage alliances, the intellectuals through subsidies, the opera ladies through extravagant presents; and, with an unhappy reflection upon the notions of justice and liberty, that they controlled the populace, the mass of weak and undefended citizens, by the excessive privileges conferred by authority, through the fear inspired by an army of three hundred thousand subordinates more insatiable than their masters. Indeed they were everywhere in control through the only too real fascination of the bag of crowns ¹

This gives perhaps too highly coloured a picture of the realities, but it brings out this essential point, that most of the bankers of the old régime in France, and, it might be added, in the Italian States as well, owed their financial power and influence to their hold on the key positions in the State administration. They were able to set up as bankers because they shared among themselves a monopoly of the chief business in the kingdom, namely the Government's short-term borrowings.

There were other bankers, less closely identified with the common round of State finance, but not averse to participating in loans of exceptional character or in contracts which the resources of the finance ministers' personal following were unable to meet, solid men of the calibre of Samuel Bernard, reputed to be the richest subject of Louis XIV, of the Crozats, one of whom had a trade monopoly of the whole American Middle West, and of the Paris brothers. The last-named family of talented *concessionnaires* rose from humble beginnings as the sons of an innkeeper in Dauphiné. It was usual to appoint an influential person from among the free-lance financiers of this order as principal banker to the court, whose task it was to meet the casual charges of the palace and the most pressing demands exacted by the king's relatives and favourites.

In the seventeenth and eighteenth centuries the court financier was to be met in almost every European capital. The pocket banker of the court of Württemberg, the Jew Süss

¹ H. Thirion, *La Vie privée des financiers*.

Oppenheimer, who is known to have been a statesman of high capacity, has lately become a familiar character to readers of historical fiction. He was an able representative of the type, which itself must, however, be given only a minor place in the main development of banking. Still, we must not forget that another famous financier was trained in this school in the person of Meyer Amschel Rothschild of Frankfort, court factor to the Landgrave of Hesse-Cassel, and that others erected fortunes on the profits of princely favour.

The character of private banking on the Continent, if we exclude Holland, underwent few changes of consequence in the seventeenth and eighteenth centuries. Only in the largest commercial cities do we find distinct specialization among merchants and exchangers, and only there because the credit needs of the wholesale trades gave scope for the development of banking technique. Even in Amsterdam the big modern-looking firms like the Hopes and Cliffords, engaged almost entirely in banking business, scarcely began to flourish until the eighteenth century. The largest houses there at this time were those of investment bankers. These, although they appear to have avoided ordinary commercial banking activity and refrained from the issue of notes, functioned more truly and distinctly as banks than did the mighty houses of the Fugger type of an earlier period, for, possessing remarkably little capital of their own, they floated the State and municipal loans raised by all who came—France, Sweden, Austria, Russia, Spain, the German princes and cities—and passed the paper obligation on to the public. The money of other men was their stock-in-trade. The Antwerp financiers of the old school had only been able to operate in this fashion to a very limited extent.

Compared with London, Edinburgh, and Glasgow, the merchant towns of the Netherlands were backward in the practices of commercial banking. This is surprising in view of Amsterdam's barely questioned priority in the exchange and bullion markets during the seventeenth and eighteenth centuries. Loan and deposit business, such as it was, with the ordinary public was carried on by a number of small private banks. There

were fifty-four of these *Kassierer* (custodians of till-money) open in Amsterdam about the year 1770. They had no circulating notes, but, since most of their customers were concentrated within a small radius, they were able to operate successfully with a system of book credit and transfer. Their advances were small and infrequent. These processes introduced no new principles: they had been followed as early as the fourteenth century in Italy and Spain. Before the adoption of demand notes and cheques, bankers transferred balances from one customer's ledger account to that of another in the presence of both the parties or at any rate of the payer. We observe this *giro* ceremony being performed as an almost universal custom. The Venetian Tomasso Contarini says in 1584: 'Buyer and seller are satisfied in a moment, while the pen moves over the page: whereas a day would not be enough to complete the contract for a great mass of merchandise by counting a great number of coins.'

BANKS OF ISSUE

Unfortunately we know less about the growth of private banking in Amsterdam than about the corresponding development in London. And even in the latter case the earlier part of the story is tantalizingly vague. It has become traditional to regard the London goldsmiths as the pioneers of modern banking—principally because they developed a remarkable skill in the use of the demand note—and they have received interested attention in the writings of English historians from Macaulay onwards.

It may well be that the importance of the goldsmiths has not after all been overstressed. They stand out in the picture as the first deposit bankers in this country to keep open shop and to make a regular practice of advancing credits to their customers by the use of promissory notes payable on demand. They began as dealers and workers in precious metal who obliged their customers by accepting pawns and giving strong-room facilities. The deposit receipts issued in connexion with this latter service are supposed by some authorities to have been transformed during the early or middle years of the seventeenth

century into running-cash notes. A cloak-room ticket became a species of currency; from a condition of gratuitous bailee its issuer emerged as a banker for profit. The transformation may or may not have taken place in the manner indicated—the interpretation savours rather of a lawyer's than an economist's reasoning—but there is no questioning the fact that the goldsmiths' shops which assumed the leading position in the banking community of Restoration London were the establishments of men who, at first specializing in one department of their trade—viz. bullion-dealing and exchange—had specialized still further at last as dealers in credit. Contemporary writers thought they saw a new phenomenon, and here they observed correctly, inasmuch as the 'new-fashioned goldsmith' was a banker almost to the exclusion of his craftsman's trade. They were mistaken, or we are mistaken in our understanding of their meaning, if it is to be supposed that banking was a new calling in London.

It can be shown that in Elizabethan days and even earlier the goldsmiths had their precursors among the scriveners, the brokers, and the general merchants. It was, indeed, the collapse of King Charles I's merchant bankers, the customs-farming ring, which gave the goldsmiths their chance of pushing to the front. With their improved handling of credit instruments, their notes and cheques, and their willingness to keep accounts for all and sundry, they soon established themselves in an impregnable position. Even the famous Stop of the Exchequer (1672), when Charles II without warning converted a large block of short-term obligations into a species of permanent debt, hardly shook them, although it raised an outcry among their customers. At the beginning of the eighteenth century and for some while subsequently the leading private bankers were goldsmiths or called themselves goldsmiths. Only by degrees was capital from other kinds of undertaking brought again into London banking, as when the Coutts, Edinburgh corn-merchants, acquired in the fifties an interest in the London firm of Middleton, Campbell, and Bruce. It has still to be satisfactorily explained why goldsmiths were able to establish something like a trade monopoly for a century. Must we be persuaded

that the bullion dealer had some peculiar qualification for success in London in this period? If so, the circumstances were not paralleled elsewhere either at home or abroad. A more probable explanation is that the retail side of the goldsmith's trade, with its pawnbroking extensions, in some way led to the offer of increased facilities to the depositing public, and that these were facilities which the merchant financier could not, or would not, provide.

On the whole the private deposit bankers of eighteenth-century London drove their business soundly and well. They seem to have escaped the temptations offered by long-term investments in speculative enterprise, largely no doubt because there was a steady increase in mercantile credit operations which served to absorb the whole of the capital and deposit funds available. It was an indication of the magnitude of London's money market that the banker was coming out of trade.

In the middle years of the century the Bank of England was becoming the reserve bank and its note issue displacing the notes of the London private bankers. The latter in their turn were finding fresh business as reserve institutions for the numerous loan banks which were springing up in the provinces; and London as the principal clearing-house for trade was becoming more and more the centre of a national clearance system concerned with the settlement of trade bills and bankers' drafts.

It was possibly the example of London practice which encouraged financial intermediaries in the industrial areas of England to take whole-heartedly to banking and hang out the bankers' sign. Burke's well-known remark that, while in 1793 there were nearly four hundred country bankers, barely twelve existed when he came to England in 1750, suggests a paucity of provincial banking facilities in the first half of the century which is not supported by recent research. It is certainly true that deposit business came late, and that it developed most strikingly in the agricultural centres, where a greater need for it existed; but the textile areas of the north and west used a financial machinery of some complexity before Burke was taken for his first walk in the streets of Dublin. It owed its develop-

ment less to the presence of surplus cash available for deposit in the hands of the public than to the needs of industry and its wholesale services for a quick and reliable means of cross-country payment. The paper in use was chiefly the inland bill of exchange payable in one or two months, but for small payments traders' promissory notes were much employed. The people who acted as provincial bankers were general importers; wholesale dealers such as linen drapers; manufacturers; considerable tradesmen—all of them proprietors of concerns whose dealings with London compelled them to keep an account with a banker in the capital. Other people in the locality employed their services in credit transactions, discounting with them London bills they had received for their merchandise, and procuring bills drawn by the provincial banker on the London banking houses for their own distant payments. Bank of England notes were not as a rule acceptable outside the immediate neighbourhood of London; so bills did most of the work.

The country dealer who did well as a credit-monger was encouraged by success to concentrate his resources in his cashier's office, seeking deposits at interest from the local gentry and often embarking upon a scheme of private note issue. No legal obstruction interfered with the circulation of his notes as long as the provincial banker kept his business partnership within the limits of six persons. Not until the seventies did the legislature begin to interfere with the private banker's note issues, and then only in so mild a fashion that little could be done to prevent alarming over-issues and disastrous panics at the end of times of great trade activity.

In Ireland spasmodic excursions were made into the practice of banking during the eighteenth century, and at first they followed the fashion observed in the English provincial centres. But note issues were so mismanaged that an Act of the Irish Parliament in 1755 prohibited banking as an adjunct to any other branch of trade. This closed the field to practising traders and left the bulk of the credit business in the hands of a group of Dublin factors. Further development seems to have been delayed until the Bank of Ireland was founded in 1783. The

monopoly of this institution now closed the door upon further joint-stock banking until 1824.

Scotland, on the other hand, was free from the restriction which gave a monopoly of joint-stock banking to one institution—the Bank of England had secured this privilege in 1707—and north of the Tweed a great part of the capital which found its way into a flourishing and adventurous banking industry was invested by the shareholders of a few large companies. These chartered enterprises, together with the private bankers of Edinburgh and Glasgow, were instrumental in producing a remarkable industrial *essor*, with the aid of a large quantity of demand notes. A small trickle of cash deposits flowed precariously under the surface of this skilfully guided discharge of paper. Nineteenth-century England had several useful lessons to learn from Scottish practice.

PUBLIC BANKS

At the time of the Civil War, England possessed less banking experience than any other of the principal areas of European trade. A hundred years later she was the most advanced in financial practice, and the Bank of England, with half a century of mixed experience, was the soundest public bank in the world. The foundation of this institution in 1694 did not in the strict sense of the word create a new *public* bank, for the business was owned by private capital and operated in the interests of a body of stockholders. But the management of public funds acquired by the Bank in the eighteenth century; the leading part which it began to play in the creation and administration of a growing public debt—a considerable portion of this actually becoming its own property; the prestige of its note issue; the fact that it became the dependable resort in the last instance of professional bill discounters, and thus a central bank among English bankers; all these things gave to its directors a keen sense of social responsibility and made them behave as if they were indeed the officials of a public institution. If their judgement was sometimes at fault, it did not suffer from want of the sense that the Bank was the vital organ of the credit system. Subsequently,

as a later section will show, the Bank discovered some ways of controlling the system.

The Bank of England is not easily to be classified among the earlier institutions of public banking. Unlike the majority of them it was not founded to remedy the abuses arising out of unhindered private operations, nor was there an original proposal to monopolize any essential function in the money mechanism. The first intention was rather to find a way of enlarging the credit currency. To this end the Bank was allowed to make extensive use of the goldsmiths' device of demand notes. The original projectors of the world-famous banks in Genoa, Amsterdam, Venice, and elsewhere would certainly have shuddered at the suggestion that these institutions should be used as organs of an inflationary policy, and would have repudiated the notion that they intended to enter the field of commercial banking. These public foundations arose in a curious variety of ways; not all of them were even directly controlled by the public authorities; but they were one and all instruments of caution, not of enterprise. And here the London bank broke all the rules of tradition: it plunged into commercial banking for private gain.

At one time and another a large number of State and municipal banks came into existence on the Continent—to be more precise, in Spain, Italy, the German territories, and the Netherlands. Many were small, had extremely local interests, and carried out functions limited generally to the administration of public payments and the manipulation of the regional metal currency. The moneys available for banking purposes were often lent to citizens on pawns or paper security, sometimes to substantial borrowers at a distance. Such a foundation of middling size was the municipal bank of Strasbourg (1503–1752), which carried on all manner of operations with money brought into the city chest; a range of business which included the acceptance of deposits and the management of specie exchange.

Scattered over Europe there were also many more or less publicly controlled *montes pietatis*, which accepted pledges of merchandise as security for small loans to embarrassed traders

and manufacturers. This can scarcely be called public banking, although in some places, as in Naples, the certificates of deposit appear to have enjoyed popularity as a subsidiary currency.

At the other end of the scale we meet with a dozen or so large institutions, indubitable banks, playing a really significant part in the economic life of their locality, and one or two, like the Banks of Hamburg and Amsterdam, enjoying a European reputation.

Of all the great public foundations the most famous, indeed, was on the shores of the Mediterranean. The Casa di S. Giorgio (1407-1815) of Genoa was not the doyen of its order, its creation having been anticipated by the Banks of Barcelona and Valencia, and it forfeited further claims to precedence by shutting down its banking department between 1444 and 1586. The proprietors were the State creditors. They took over the actual administration of the public properties pawned to them as security, including the island of Corsica and a number of trading stations extending as far afield as Caffa in the Crimea; they collected the numerous revenues, and paid interest due to the holders of public funds. The operation of taking sums out of the pockets of taxpayers and putting them into the pockets of rentiers was accomplished by *giro*-transfer in the books. Private depositors were accommodated, and the owners of State paper were permitted to borrow on their holdings. The privileges granted to the Bank were intended partly to facilitate the handling of public money, partly to secure a stable exchange ratio between the coins most commonly employed in Genoa and her colonies. There was a failure in the performance of this latter service, which explains in large part the curtailment of the Casa's financial operations after 1444. It did not open its doors again to the public until it was released from the embarrassing role of colonial administrator. During the second period it developed a wide deposit business and so accumulated large cash reserves, but it now showed itself less inclined than formerly to advance loans to private customers, and the only substantial credit granted now took the form of further advances to the State for the construction of harbours and other public works.

Perhaps the most important innovation during the later period was the opening in 1675 of a department under the management of the Protectors of St. George, which secured that all but the most trifling payments in liquidation of commercial bills should be made by transfer in its books. The new department was released from the hampering obligation to keep account with customers in terms of the coins deposited; it could work on the basis of *lire*, the money of account. Without this relaxation it could hardly have dealt with credit instruments. The management was now in a position to circulate its own paper obligations, and forthwith adopted the form of negotiable deposit vouchers—*fedi di credito*—already in use by the Neapolitan Bank. Thus the Casa became in a restricted sense a bank of issue. The notes were not used as vehicles for commercial credit, but since they were much employed by the public as a form of currency, the management had now greater freedom with its cash reserves, while the republican government was pleasantly aware of the existence of a nest-egg which might be handled in a time of emergency. The emergency occurred in 1746 after the defeat of Piacenza, when the Austrians entered the city and took a heavy indemnity. Bank money had been circulating at a premium: it fell until it was at a discount of 32 per cent. (1751). The Casa di S. Giorgio was no longer entitled to regard itself as the most stable element in the State.

The Bank of Venice (1587-1806) was a State institution. For a long time men believed it to have had its origins in unfathomable antiquity. There were medieval debt-funding concentrations, one of them as early as 1157, which managed the traffic of public loans; and the ready negotiability of claims upon the republic perhaps lent to the operations of these institutions an appearance of banking activity. But the *monti* of Venice never grew like their Genoese counterparts into a public bank. A project for the erection of one has recently been discovered belonging to the second half of the fourteenth century. Two hundred years, however, elapsed before a start was made. And meanwhile the method of payment effected by the transfer of

amounts due from one customer to another by the adjustment of balances on the private bankers' books—*scrivere e girare in banco*—reached a high point of technical efficiency. The Bank of Venice originated in two *giro*-banks opened for the use of depositors, one, the Banco della Piazza di Rialto, in 1587; the second, the Banco del Giro, in 1619; this in 1637 took over the dwindling business of the former and gave its name to the unified office. The first bank brought to an end an uncomfortable period said to have been marked by financial malpractice. Important members of the banking fraternity had one by one failed, and private practice had just been suppressed altogether for an experimental period. The Banco di Rialto was intended as a public safe deposit with *giro* facilities. The second bank, of 1619, founded in the first place to meet a fiscal emergency, had a quite different purpose. It was to serve as an office of payment for government creditors, who hitherto had found the Republic, like other States of the period, somewhat slow in meeting its current obligations. The new institution opened accounts with people to whom money was due and credited them with the sums in question. Revenue receipts were paid in periodically to form a cash reserve. To what extent the creditors were able to touch the money in the bank is a matter of uncertainty. The normal means of access to a credit account was either to give instructions for its transfer in whole or part to another customer or to sell a title to it for cash.

The absorption, or supersession, of the earlier bank occurred when the expansion of credit at the Banco del Giro to meet the growing margin between government receipts and expenditure had created accounts on a scale so vast that all the transfer business in the city was being sucked in. But the institution that remained did not at once begin to function as a deposit bank. It was not until 1666 that it undertook to accept deposits, nor was it until then that customers appear to have been able to withdraw on demand, without qualification, the sums with which they were credited. Once the new facilities were secured, the much-discussed premium, or *agio*, on the ducat banco, theoretically 20 per cent. above the full-weight ducat of the

currency, ceased to fluctuate. It was in this ducat banco that accounts were preserved and payments made. The vitality of the bank is to be explained in large measure by the ease with which transfers could be made in this currency medium. Between 1713 and 1739 a suspension of cash payments occurred. Richard Cantillon remarks that the *agio* disappeared and bank money fell to a discount of 20 per cent. and would have fallen still more had the management not taken care to avoid what might be termed further over-issue.¹ For a time a large proportion of the bank's obligations was 'blocked' or 'frozen' in the form of interest-bearing debentures. At a time when paper issues were becoming the order of the day it is interesting to watch the conservative Signory stoutly deciding upon this awkward expedient as an alternative to the proposition that bearer notes should be issued. The treasury of the Republic recovered its stability, and the cashier's department of the bank was reopened. The bank survived and continued to serve a useful purpose in this playground of eighteenth-century Europe until the Austrians took possession. Its life was prolonged until 1806. The remarkable resilience which this much-admired institution manifested during its several periods of great distress is due, one must suppose, to the fact that the merchants had no practicable alternative but to employ transfers of bank money in their larger transactions, and this obligation, amounting almost to a forced circulation of the ducat banco, helped to support the latter's value. Even so it is clear that the conduct of the bank was in better hands than was that of certain sister institutions of the period.

Of other Italian banks, we need only mention the Banco di Sant'Ambrogio (founded 1592) of Milan. Its model in matters of procedure was the Genoa Bank, but unlike the older institution it started with the deliberate intention of helping commerce, and only later became involved in public borrowings. It had a short period of great success; but the growth of the city's debt forced a suspension of payments in 1662. Reconstruction followed, and the bank became saddled with the

¹ *Essai sur la Nature du Commerce* (1755), Higgs's edn. pp. 308-9.

control of the revenue-producing assets of the city. It was finally overthrown during the first Napoleonic invasion.

The Spanish public banks need only be briefly noted. Something in the nature of a national banking system was projected in 1627, after some years of tentative discussion, and actually existed for a few months under Italian management. Offices were opened in Madrid, Seville, and eight other Castilian towns. The immediate duty of the governors was to call in the debased vellon coinage and to replace the greater part of this with paper obligations to be redeemed in silver of a lower face value. They might accept deposits, deal in exchange, conduct a lottery, and lend on mortgage. But the deflationary scheme which the bank had to operate was hardly calculated to receive applause as a curtain-raiser; the Castilians preferred their hard money, bad as it was, to the bank's paper, and attacked the management in the Cortes. So the Crown decided to deflate by crying down the vellon and to revoke the Italians' charter. Although various projects were mooted no other national banking scheme came into operation until the joint-stock bank of San Carlos was founded by decree in 1782 as a treasury institution.

A long and interesting history belongs to the municipal banks in Aragon, where, at any rate in the Catalan province, nearly all the towns were said to have them at the end of the sixteenth century. That of Barcelona was called the *Taula di Cambi y de Comuns Deposits* (1401-1853). First established as the exchequer house of the city's finances, it soon became the fiscal agent for the whole province. Like the later Venetian bank, its chief function as a municipal office was to maintain a reserve of cash, to be accumulated by business with private depositors, and to meet claims on the city promptly as they arose. Its records show that the authorities were inclined at times to abuse its creditors' trust. Thus in 1468 and 1553 they compelled them to accept bonds in lieu of cash.

A favourite device employed by public banks to swell their resources was to secure an order that all payments for bill settlement must be made by transfer between depositors' accounts. This further enabled supervision to be maintained

over rates of exchange. Barcelona merchants emancipated themselves from this control before the end of the fifteenth century. The administrators would not lend to private depositors, but apparently they allowed the commercial bankers of the city to overdraw their accounts, and were running their office at a very early date as a central reserve bank. When the Bank of the City was established in 1609 as an ancillary institution this function of the older bank was still in evidence, the bulk of the cashier's business being transferred to the new institution. Here much greater freedom was allowed in dealings with customers. They were, for example, permitted to make payments by cheque, a practice which the so-called Deposit Bank had recognized as early as 1527, whilst confining the privilege to public officials.

We must be careful not to give Barcelona undue credit for its precocity in instituting cheque transfer, since we do not know at what stage the document itself superseded the usual oral instructions of the customer.¹ Yet this sixteenth-century innovation is interesting and instructive. It begins with the exemption from personal attendance at the transfer office of privileged persons who might now send third parties with a spoken message signifying their wishes. The first cheques must have served as confirmation of such messages. At some later stage cheques themselves were accepted by the bank as valid orders for a *giro*-transfer, and even for a cash payment. But there is no evidence that later north European practice was influenced by the doings of the Deposit or of the City Bank of Barcelona.

These two institutions were combined as one bank in the eighteenth century during a period when political and economic causes were injuring the city's commercial vitality.

There is little to show that the Exchange Bank of Amsterdam (1609-1819) was consciously modelled upon the public foundations in the Latin countries whose activities have just been

¹ Moreover, priority might be allowed to the private bankers of Venice who in 1421 were forbidden the practice of transferring sums on the written order of non-resident customers.

described. It became the most successful of four Dutch town banks founded in the early part of the seventeenth century. That of Rotterdam (1635) was set up when the migration of the English Merchant Adventurers to this port forced the short-lived Delft Bank (1621) to close its doors, and, apart from a certain weakness for unauthorized lending operations, its behaviour and career were similar to those of the more famous foundation in Amsterdam. The fourth, at Middelburg (1616), secured a local monopoly of exchange and seems to have done business frankly as a commercial loan bank; the principles of cash conservation laid down at Amsterdam and more or less strictly followed there were here relaxed.

Histories of financial institutions have elevated the Bank of Amsterdam to a very prominent position indeed, not only among public foundations of its class, but as a powerful instrument of banking progress in general. It is questionable, however, whether anything at all was done by it to further experience in monetary processes. The Dutch, who lived within dykes and had learnt to respect the dangerous forces ambushed in the depths of the inscrutable sea, were content to use the proved machinery of finance as it had been brought under control elsewhere; and among public authorities the municipality of Amsterdam was not the least cautious. Its bank had to carry out certain duties in the regulation of currency and the oversight of exchange dealings which were perfectly familiar in the other great merchant cities of Europe where official banks had been instituted.

In the earliest years of the century the authorities were much exercised by a coinage confusion which hindered the smooth operation of trade. Private bankers were blamed for removing good pieces from circulation; the merchants, who tried to escape from constant embarrassment in money dealings by working on a system of paper credit, were blamed for driving currency out of the country. Trial and error soon showed that piecemeal attempts to counter this and that monetary abuse were worthless. On the recommendation, therefore, of the mint-masters a bank was set up and entrusted with the duty of

accepting deposits of all kinds of current money at a constant tariff and of exchanging unlisted coins at just and reasonable rates. Payments between depositors were made in the current money of account in the usual *giro* manner on the registers. Bank money was not, as it has been sometimes described, altogether a 'fictitious' money; it was merely an authorized reckoning based on the metallic equivalences of certain full-weight current coins existing at the date of the bank's foundation. The fact that it often stood at a slight premium in terms of cash indicated above all that depositors were assured that their means of payment were uniform and reliable; but it is also true that the management could control the premium within limits by the manipulation of rates, and that it sometimes did this for reasons of bank policy. When, after 1683, depositors were customarily furnished with paper receipts, these documents themselves came to be regarded as giving independent title to cash in the bank's vaults, and, although they were in a strict sense no more than advances against deposits of specie, they circulated widely in northern Europe among merchants with business interests in Amsterdam. The fluctuations in the supply of and demand for these deposit receipts produced day-to-day movements in the price of bank money. The bank itself kept these within limits by buying receipts for cash when the premium fell below a certain figure and selling again when it rose unduly high. Thus it exercised a control over the number of receipts in circulation and consequently over the volume of its cash reserves. Its main function, therefore, came to be the provision of cloak-room facilities for the merchants and bullion-dealers, who in the aggregate were prepared to use paper substitutes for precious metal, and the sum of deposits was sometimes as high as 20 million florins. The original intentions of the municipality, to short-circuit bill dealings, and to stop the circulation of inferior coins, were not directly carried out by the bank. The first aim was, however, fulfilled to this extent, that, although the private exchange bankers continued to flourish, the general facilities furnished by the Bank of Amsterdam to its customers did in fact bring on to its books a vast number of transactions

concerned with trade bills originating in every corner of the world.

But while practice could not entirely follow the doctrinaire theory of the founders, these people can hardly be blamed for not foreseeing another development in the policy of management which led to a betrayal of trust and the transformation of the concern from a strict deposit bank into a loan bank, from a reputable cloak-room into a money-circulating machine. Unknown to the general public the bank was making advances to the town of Amsterdam and also to the Dutch East India Company, whose whole business in the Netherlands was done in bank money. It also seems highly probable that for a period it was indirectly engaged in money-lending through the back door of the municipal Lombard bank (Huys van Leening). These loan-credits go back almost to the date of foundation, but until the eighteenth century they were generally kept within narrow limits. In 1712 the metal cover fell to 67 per cent. of the sum of deposits. Several approaches to parity were again achieved, but the East India Company continued to borrow more freely than before, and after the costly war with Britain in 1780 it failed to repay its short-term borrowings. In 1784 the percentage of cash and bullion reserves was 33, and the bank's credit was slightly disturbed. In November 1790 a deeper suspicion got abroad; the premium fell sharply. Bank money went to a discount when the management raised its price for the purchase of bar silver, and this was followed by a suspension of payments. The town of Amsterdam came to the rescue, and there was a temporary recovery. Then the French occupation of Holland in 1795 forced the disclosure of the fact that there was a cash deficiency of 9 million florins. For fourteen years credits had not been repaid. The bank could, of course, balance its books by writing in the frozen assets, and payments were in any case ultimately assured by the town's ability to meet the cash deficiency with public loans. But the bank's credit was damaged beyond repair. During the last years of its life it remained a shadow of its old self with only liquidation to look forward to.

In principle the Bank of Hamburg (1619-1875) worked on the same basis as the Dutch foundation,¹ and it was brought into existence for much the same reasons, partly in response to the desire of the English Merchant Adventurers that the large silver coins of commerce should have institutional protection. Its status among the public banks of Europe was as high or even higher than Hamburg's position among merchant cities. Mention must be limited to the significant peculiarities. The foundation proper functioned as a simple deposit and transfer bank, and as such behaved with a strict respect for limitations. But there was associated with it a loan institution which borrowed cash from it and lent this out to the municipality and to private individuals against merchandise collateral (mainly copper and precious metals). While the Amsterdam Bank could not resist the urge to make illicit use of its reserve, its German sister, like the Barcelona and Genoa banks, frankly introduced autonomous machinery to carry out purposes beyond the restricted laws of its own being. This precaution, however, provided no safeguard. Credit transactions between the city bank and its subsidiary led to suspensions of payment in 1672 (a year of international crisis) and 1755. For the same reason bank money on numerous occasions was quoted at a rate below its metal equivalent. The unit in question, known as the Mark Banco, or Banktaler, was invented to serve the Hamburg wholesalers as a substitute for the fluctuating units of territorial currency in the Kipper and Wipper time.² The new unit's stability consisted at first in its equivalence with a third part of a full-weighted imperial Taler, or 2/55ths of the Cologne Mark of fine silver. In the course of time, when the imperial Taler was much debased, the Bank went over direct to a fine silver standard, and later still only silver bars of an agreed quality were accepted as deposits. They were paid out at a slightly higher rate than that at which they were received, the difference between the deposit rate and the withdrawal rate in Marks Banco constituting the

¹ The important public bank of Nuremberg (1621-1827) also operated in a similar fashion.

² See above, p. 416, note.

bank's charge for its services. Thus one consequence of German monetary instability was that merchants were forced to forsake both specie units and the common money of account in their mutual intercourse, and to resort to a reckoning of their own invention calculated in unit-weights of silver in the vaults of a bank. We have here what is really a refinement of that *scutus marcarum* which was the measure of value at certain medieval fairs. But this is not surprising. Eighteenth-century Germany was not far removed from the Middle Ages.

In 1656 Hans Palmstruch founded an important loan and exchange institution in Stockholm which, twelve years later, was to be taken over by the Estates as the Bank of Sweden—the first public bank of a nation state. As happened in other places, so here, the authorities were prepared to give valuable privileges to the bank because money dealings on any extensive scale were hampered by specie inconveniences. But in Sweden the chief trial of those who handled cash was less the quality of the current coin than the monstrous size and weight of the units of the copper standard introduced by Gustavus Adolphus.¹ The two-dollar piece in common use weighed eight pounds. The action of Palmstruch's bank in issuing to its customers a series of unsecured bearer notes² as substitutes for ingots of metal may be likened to the exchange of a herd of reliable but unwieldy elephants for an agile troupe of performing fleas. There was soon an over-issue: the notes were discontinued in 1664. Later in the century the bank, now a State institution, once more began to issue notes. Again failure to restrict the ratio of notes to specie reserve brought confusion into the currency. At one time notes to the nominal value of 600 million copper dollars were out, but this of course was under conditions of forced circulation. Reforms were ordered in 1762 and 1776. Like other continental States which played with paper issues in the

¹ A parallel silver series was also in circulation.

² Professor Hecksher claims with justifiable pride in his country's progress that thus were created 'the first fully developed bank-notes in Europe'. 'The prototype', he says, 'were drafts given in copper by the Stora Kopparberg Company.' 'The place of Sweden in Modern Economic History', *Economic History Review*, iv. i. 11 (1932).

eighteenth century, Sweden found deflation extraordinarily difficult to accomplish, and this once accomplished, restraint proved equally hard. In 1789 a new paper-money experiment was set on foot, and again trouble ensued.

THE NOTE ISSUES OF PUBLIC BANKS: JOHN LAW

We have found it convenient to put all public banks into one category. But this must not make us blind to differences. The Bank of England, as we observed, is not readily to be accommodated amongst the banks of municipal origin or those which served the needs of the city republics, for its purpose was neither to regulate specie exchange nor to snatch deposit business from speculating private financiers. With more ambition it came into being to exploit what the projectors of the day called a 'fund of credit', and in the capacity of credit factory it linked its fortunes with the State treasury. Thus its first and principal claim to historical importance is founded upon its being a bank of issue.

It does not obscure the distinction between purposes that some of the earlier public banks also began to act in this fashion when temptation assailed them or official pressure came to bear, even though they may have done so in a very modest way from the very beginning. Essentially they were safe deposits, privileged to assist their customers with the book transfer of obligations, and compelled to assist the public authority with loans from their rich accumulations. After the middle of the seventeenth century they obviously came under the influence of a newer school of thought. The deposit receipts of Amsterdam and the *fedi di credito* of Genoa were instituted as bank-notes walking in disguise, and if they could be presented for payment by none but accredited customers, we need remark only the intention of preserving appearances.

The newer institutions founded in Stockholm and London boldly issued their notes payable to bearer and in so doing effectively launched a fresh currency. A stimulus to monetary experiment felt all over the Continent was given by the successful example of the latter bank, supported as it was by the

experience of corporate banking enterprise in Scotland. It was an emigré Scot who in 1716 persuaded the French Regency to sanction the foundation of a bank of issue in Paris and to invest him for four years with the sole direction of financial policy. At first John Law's creation was a simple joint-stock bank authorized to receive deposits, to discount bills, and to issue notes. In its earlier phases its structure and operations had a marked resemblance to those of the Bank of England, while the requirement that three-fourths of its capital must be subscribed in depreciated State bonds (*billets d'État*) recalls the device adopted when the Bank of England raised its second subscription in the form of exchequer bills in 1697. But French royal finances were now in a far more desperate condition than any that had been experienced for generations in England. Law's bank came at an opportune moment to rescue the royal treasury from a complete collapse in its credit, and to provide a paper alternative, calculated in stable *écus de banque*, to the tortured metal coinage which the Government had lately been manipulating with less adroitness than usual.

Once the bank had secured itself in mercantile esteem and reluctant tax-collectors had been bullied into receiving its notes in payment of all dues to the State, the public realized the advantages which notes of unvarying value possessed over the fluctuating metallic media of exchange. Success was assured. So far the scheme was no more open to criticism than any other soundly managed credit institution on the Continent. But the conversion of the bank into a State department—the Banque Royale—in 1718, with five provincial offices and unlimited opportunities for experiment as a paper-money factory, was one of the indications that Law had designs which went far beyond the extension of deposit banking.

The Bank [he had informed the Regent] is not the sole or the largest part of my ideas. I shall produce a creation which will astonish Europe with the results it will bring to pass for the benefit of France—changes more far-reaching than those which followed the discovery of the Indies or the introduction of credit. . . . Your Highness will be able to bring back order into the finances, maintain and augment

agriculture, industry and trade, increase the population and the general income of the kingdom.

The informed public had had plenty of notice of Law's ideas,¹ embracing as these did a belief that a paper currency had distinct and valuable advantages over an uncertain supply of metal coins, dependent for their value on the uncertainties of mining progress and the unstable concurrence of demands for the treasures of the earth by mints and metal workers. Law knew well enough that to increase the number of currency units in circulation was to invite a rise in prices. But inflation had no terrors for him, because he felt that the price augmentation must anyhow proceed more slowly than the money augmentation; and meanwhile the stimulus to activity throughout the nation would develop to the full its latent resources. It was even arguable that paper money, once a level had been found, would prove more stable in value than coins of precious metal: the notes could be based on something less far removed than gold and silver from the necessary business of life—land for instance.

The famous Mississippi Scheme (1717–21) showed the programme in operation. By degrees this talented projector got within the control of the overseas trading company which he founded the monopoly privileges of the several branches of France's colonial trade. Thus commerce rather than agriculture or manufacture received the first directed encouragement, the anticipated expansion of sea-borne trade being calculated to soak up the additional currency in a wider circulation.

Law set out to inject capital into the company by providing the investing public with money from the bank. Although for some time they were kept separate, the bank and the commercial combine were worked side by side, and the whole plan depended on a co-ordination of programmes. The bank advanced money to the holders of the company's scrip in order

¹ M. Paul Harsin, the best authority upon Law's system and its antecedents, has lately advanced a powerful case for Law's authorship of a series of memoranda submitted to Madame de Maintenon as early as 1701. (*Crédit public et Banque d'État*, 1933.)

that they might purchase more; and so the process continued. An ingenious management of the successive issues of colonial shares produced a boom in investment; internal trade was stimulated; while a fascinated public watched the great *Compagnie des Indes* take over in turn the management and issue of the metal currency—there was curious jugglery in this department—the administration of the revenue farms, and finally the national debt. Most holders of *rentes* and of government bonds willingly handed them over in exchange for the company's shares, the value of which soared to a fantastic height before the peak was reached. The company as revenue collector was of course in a position to pay dividends from the taxes.

In the course of four years the institutions of France were transformed; the son of an Edinburgh goldsmith controlled the appointment and dismissal of ministers; government credit was restored from the state of collapse into which it had fallen during the last campaign of Louis XIV; and the national debt was no longer a recurrent nightmare to the administration. Law not only created the most impressive system of collectivist enterprise ever to be seen in Europe before the Russian Revolution of 1917, he found leisure to plan a complete break-up and revision of the fiscal system. In short he projected an abandonment of the numberless, vexatious taxes, direct and indirect, in favour of a simple property tax to be levied on subjects irrespective of rank and privilege. Had Law's precarious monetary 'System' been at the same time pulled into soberer form, the year 1789 might have had no special significance in our history books.

Stimulating as the commercial boom undoubtedly was, the country could not live on paper currency alone. Gold and silver were gradually disappearing. It is not without significance that the metallic stock of the Bank of Amsterdam had since 1715 been increasing rather rapidly. In five years it was more than doubled, and there is reason to believe that the enlarged holding included millions of gold and silver louis.

The last addition the *Compagnie des Indes* was called upon to ingest was the *Banque Royale* itself, which was absorbed in

February 1720. At the same time the notes became the only legal tender for payments over 100 livres, whilst the attempt was made to stabilize the value of the company's shares by offering to buy and sell them at fixed prices. This incidentally gave them something of the quality of currency. Their market value had already begun to fall before the price was fixed. People now came only to sell. A brave but misguided effort to establish a premium on bank-notes only succeeded in driving metal out of circulation. General prices had risen; the dividend of the company, although substantial in relation to the nominal value of its shares, seemed to be a wretched return to the rentiers who had been encouraged to exchange their claims on the State for *actions* at inflated prices.

It was now imperative to deflate at all costs, or metal pieces, with their nominal value lately diminished in the interests of the 'System', would never reappear. The face value of both bank-notes and shares was accordingly to be reduced by stages to about one-half. This was deflation with a vengeance. Before the end of the transition period it was abandoned in this form, and other remedies for reducing the paper issue were tried by the opponents of Law, who now, by the summer of 1720, found himself losing favour and offices. We need not examine these devices. Finally the 'System', which had fallen through the earlier over-confidence of the promoter and the public, was liquidated by the Paris brothers. Law went into exile.

In spite of its faults and of the early catastrophic close which Law's too grandiose schemes precipitated, the experiment has two features of permanent interest. First, the operations of the bank in its note-issuing capacity showed the uses to which a state laden with a heavy internal debt could put a skilfully managed system of paper. The treasury was in a happier financial position after the crash than before Law took command; and this lesson was not lost on the world.

Secondly, Law demonstrated the potentialities of bank credit when turned to productive ends. As banker he was not interested in consumption credit in the way that this had appealed to promoters of state banking schemes in earlier days. His plan

was prophetic of later developments in commercial banking. But the prophecy in the shape it assumed delayed the date of its own fulfilment. 'Any man', wrote Forbonnais many years later, 'who has the ill fortune to propose a plan, whether to carry out reforms or to disclose expedients, finds himself condemned as an *esprit systématique*, and seldom will he be employed.'¹

Nevertheless the notion of a central bank of issue was not allowed to sleep. M. Bigo writes of a forerunner of Turgot's Caisse d'Escompte as having been established in 1727 with a capital furnished partly by the treasury.² It engaged in bill discounting and disappeared in 1759. Panchaud's first attempt to revive it in 1767 failed to achieve a permanent result. But nine years later the scheme came up again—it is to be observed that the title *Banque* was avoided—and the Caisse d'Escompte du Commerce (1776–1793) started its interesting career as a privately owned joint-stock enterprise. Time-borrowing was forbidden to it. The Caisse issued demand notes and concerned itself mainly with the discounting of bills. It had a certain importance in this chosen field, especially as a banker's bank, but it had no pretensions to be a national institution, nor had its notes a wide circulation. Doubtless its career was crippled by the importunities of an embarrassed State treasury. With the aid of the Caisse a national bankruptcy was more than once staved off.

All the important public banks founded in the eighteenth century were banks of issue. There is a temptation to dismiss these State foundations a little contemptuously as government printing offices. But this describes them more shortly than they deserve. Excellent intentions might be present at the beginning. The Danish Courantbank from its foundation in 1736 until the fifties did good work as an exchange and transfer institution with a limited note issue. Because the State borrowed too heavily the notes had to be given forced currency in 1757.

¹ Nevertheless Forbonnais himself and no less a person than the Abbé de Saint-Pierre fell victims to the fascination of Law's ideas; both produced interesting projects for the founding of banks of issue.

² *La Caisse d'Escompte et les Origines de la Banque de France* (1927), p. 33.

Sixteen years later the State took over both assets and liabilities and proceeded with the easy work of printing; this went on until the new Danish and Norwegian Specie Bank tried to restore order in 1791.

Russian experience was somewhat similar. Trade was backward; industry in the western meaning of the word hardly existed. In the eighteenth century a primitive transfer system came to be built up by official exertions in a series of municipal institutions connected with the copper trade. The State had gained sufficient experience on a trial and error basis to launch out in 1786 on a paper currency (*assignat*) scheme. The office of issue was attached to a state loan bank on which was imposed the duty of rationing credit to the nobility for estate improvements, to the merchant communities for trade development, and to the imperial treasury for general public purposes. Later, in 1797, a discount bank was connected up to the system to assist exchange operations. The economic significance of these experiments, apart from the consequences of currency manufacture to meet war expenditure, was slight. To meet treasury requirements notes came to be issued in larger quantities than had at first been intended. The loans to the State could not be repaid. And in due course the familiar premium on the metallic coinage began to appear.

In central Europe there were frequent demands for large public or semi-public banks with credit-granting privileges; occasional projects appeared. Some mortgage institutions came into being, like the Churmärkische Landschaft of Prussia. These were intended as deposit and lending banks for the gentry. Similarly, a number of banks was organized for the industrialists and merchants, which undertook lombarding, that is, the reception of merchandise as security for business loans. But both land and lombard banks found it hard to enlarge the scope of their operations on account of the lack of opportunities for short-term investment; what investment they effected was accomplished with the aid rather of debentures than of customers' lodgments. In any case they were not state banks in the proper sense.

Apart from the municipal banks in some of the larger cities, the only two German foundations comparable to public banks elsewhere were the creations of Hohenzollern and Habsburg. The former office, called the *Königliche Giro- und Lehnbank zu Berlin* (1765-1846), was primarily a land bank, though it tried hard to develop deposit and transfer business with the merchants. As with the other banks dependent on the profit of mortgage transactions, it was found difficult to get enough revenue from investments to satisfy the pressing throng of depositors. It was even necessary to turn depositors away. Naturally the State could offer employment, but of unsatisfactory character, for the unlendable balances, with the result that payments had to be suspended in 1806. While in this case the Crown with Prussian perseverance did its honest best to convert its foundation into an economic asset to the undeveloped territories which it ruled, the Habsburgs, always suspicious of the mercantile interest, were disposed to treat their *Wiener Stadtbank* (founded 1703) merely as a financial department of State. True, the Vienna Bank accepted deposits and paid interest to lenders, but it was only a bank in the sense that the modern British Post Office Savings Bank is one. The object was to secure a pool of money for the purpose of State finance. Even the note issues, beginning in 1762, were made solely for government borrowings, and by this time the city of Vienna had surrendered the supervision which it exercised on behalf of State creditors to the Government itself. From 1797 the notes became irredeemable.

It must be clear from all the examples discussed that a general tendency manifested itself, especially in the commercially backward regions of Europe, for public banking institutions to be diverted from their original purposes to become paper-issuing houses in the service of the territorial rulers. It is the old story of debasement told again in new language. Yet there appears nowhere to have been a deliberate intention of defrauding the public. Even had statesmen understood beforehand the probable economic consequences of an over-issue of inconvertible paper, they might have argued that a taste of inflation now and

again has a stimulating effect on a large range of productive activities. It was certainly thought, when the effort of analysis was made at all, that paper money introduced an economy in the use of the precious metals. In an age of chronic currency disorder this was an important consideration. Unfortunately such a calculation was not to be justified. If the note issue went beyond the metal backing and yet succeeded in remaining convertible, the price level, although much less responsive to monetary influences than it is to-day, eventually rose to absorb at a new height the additional units of currency put into circulation by the issuing bank: there might be no saving of treasure. If the notes became inconvertible they were apt to drive all but the smallest metallic change out of circulation, so that the last state came to be worse than the first, since no eighteenth-century territory could afford to be without silver and gold—silver at any rate. Or, alternatively, coins continued in use whilst the notes fell to a discount, in which case economic life was filled with almost incredible complications due to the existence side by side of two independent variables.

Only in the British American colonies were State issues of paper frankly employed on a large scale without the mediation of some kind of banking institution. Did space permit, it would be instructive to examine the various devices adopted by these young communities to deal with what was felt to be a chronic deficiency of gold and silver just where easy monetary conditions were urgently required for economic development. The more experienced, but at the same time unhelpful, policy of the mother country tried to check the exuberance of this tendency. How far the disagreement between the colonial legislatures with their cheap money needs and the home government with its insistence on the principles of 'sound currency' contributed to the bitterness of the American revolt is only now being rediscovered by students of eighteenth-century history.

GENERAL INTRODUCTION TO THE MODERN PERIOD

By A. E. FEAVEAREAR

AMONGST primitive peoples the first advance from simple barter is the use as a medium of exchange of some commodity which is acceptable to most of those engaged in trade, and which is given and received by weight or by measure. The next step is the circulation by tale of 'pieces of money', usually metal coins bearing the recognizable stamp of the issuing authority, which are paid and accepted purely by number regardless of the quantity of material they contain. Some theorists prefer to regard the issue of such pieces as the commencement of the use of money proper, and it is certain that the value in exchange of such a circulating medium is determined upon different principles from those which govern the value of a commodity used by weight as a medium of exchange. This difference, however, is of historical and academic importance only. Changes in the value of money are not of much practical significance so long as all dealings are for immediate settlement. It is when time-contracts resulting in debts become common that such changes of value become important, and it is a matter of history that in most European countries debts payable by tale in whatever pieces of money have been declared legal tender at the time of payment have long superseded debts payable in a commodity by weight or measure. The introduction into contracts in modern times of a 'gold clause' requiring payment of a certain weight of metal was a retrogressive measure which was certain sooner or later to break down.

The growth of an economic system in which debts play a leading part has rendered control of the value of money of the utmost importance. In the Middle Ages the substitution of money rents for labour services introduced the first large group of fixed money charges. It was followed by the development of the mortgage system, which enabled land and later a whole group of other productive assets to be charged with a fixed

annual payment for perhaps generations together. Then came the growth of national debts of a permanent nature, and, in modern times, of international debts. Even payments such as wages and fees, nominally variable or subject to revision at frequent intervals, have tended to become rigid with the growth of strong trade unions amongst wage-earners and of similar protective associations amongst the professional classes. Thus in a modern society a money of even moderately variable value frequently causes disequilibrium sufficient to interfere seriously with the efficient working of the productive system.

While the money in use consists entirely of coins issued under the authority of the ruling power, the principles by which the value of money is controlled are comparatively simple, though owing to the absence of an effective administration it may not be easy to carry them out. The chief concern of the ruler is to see that no coins are issued other than those issued by his authority, in other words, to prevent counterfeiting, and to regulate the quantity of money to meet the needs of the community. If, as was the most common practice in Europe from the early Middle Ages, the method adopted for regulating the value of the unit of money is to link it to an international metallic standard by setting up an open mint where metal is coined in unlimited quantities for all comers, the system becomes slightly more complicated, but in so far as it can be controlled, the control still remains chiefly in the hands of the State. The value of money in these circumstances is likely to be affected either by a reduction of the weight of the coins in circulation due to clipping or wear, the remedy for which is a better technique of minting and the regular withdrawal of worn coins; or by a change in the international value of the metal of which the money is made. The latter contingency was usually met in the Middle Ages by a change in the standard weight of the coins. Questions of monetary policy, so long as metallic money circulated alone, usually turned about whether the State should make a profit upon the coinage or whether the mint should coin without charge; whether there should be freedom of trade in coin and bullion and liberty to melt the

coin; and whether measures should be taken to compel the importation of the money metal.

The growth of banking, which has been traced in the preceding section, raised new and far more complex problems of monetary control. From an early period bankers began to circulate a new means of payment consisting of mere acknowledgements of indebtedness, usually made of paper, which could perform most of the functions of money and over which the State could exercise but little direct control. At first the influence which this paper currency might exercise over the value of the common monetary unit of a community was not realized. In England in 1696, when a serious fall in the value of money followed a heavy issue of notes by the newly formed Bank of England, no one perceived that the increase of paper money was the cause, though for more than a century paper money had been in use.

By the middle of the eighteenth century, however, the nature and effects of credit currency began to be very fully discussed. David Hume, writing in 1751, had a very clear perception of the powerful influence which all forms of paper money might exert upon prices, production, and trade, and the series of financial crises which occurred in the last thirty years of the century, together with the serious abuse of the power of note issue in France, England, and other countries during the period of the French Revolution and the Napoleonic Wars set in motion investigations and controversies which have never ceased down to the present day.

Concurrently with the growth of banking there was an extension of international trade, accompanied by an extension of the international functions of national banking systems and an increase in their interdependence. Finance, however, like trade, has remained chiefly under national control, often, indeed, hampered by nationalist restrictions. International co-operation has sometimes occurred but has usually been of a very temporary nature. The only substitutes for permanent international management have been the very widespread convertibility of all kinds of credit instruments into either gold or

silver, and the existence, usually, of a financial leadership in one of the chief commercial cities of the world. The preceding section has shown how Florence gave way to Antwerp and Antwerp to Amsterdam. Very early in the nineteenth century London, in turn, took the lead.

The predominance of British banking and financial institutions in the nineteenth century was such that the history of finance in Europe and the United States during that period is best approached through a separate study of British banking. It was in London, above all other centres, that the science of finance and the art of central banking were studied and developed. Great Britain preceded all other nations upon the gold standard by more than a century. The Bank of England was the first modern central bank. The controversies which centred around the Bullion Report and the Report of Peel's Committee of 1819 formed the first statistical and theoretical study of the effects of inflation. The Act of 1844 was the first serious endeavour to evolve a scientific control of note issues. Nation after nation came to England for their model of a central bank, adapting it to suit their needs. Great Britain's advancement in prosperity during the nineteenth century was one of the chief factors which led both Europe and America to adopt gold as the single standard. The unbroken convertibility of English paper into the same piece of gold from 1819 to 1914 gave it a ready acceptability in remote parts of the world which no other currency enjoyed. The return of Great Britain to the gold standard in 1925 signified to the European mind the return of pre-war normality.

In the first of the sub-sections which follow the development of Great Britain's financial system from the period of the French Revolution and its relationship to world finance are dealt with separately. The second section covers the financial history in the same period of European countries and the United States.

BRITISH BANKING AND FINANCE, 1793-1931

By R. G. HAWTREY

THE closing years of the eighteenth century were marked by a number of events which made the epoch a turning-point in the history of British finance. The outbreak of the War with Revolutionary France brought various consequences in its train. The invasion of Holland and the extension of the revolutionary régime to that country put an end to the long-established supremacy of Amsterdam as an international financial centre. The Industrial Revolution was endowing Great Britain with a new economic strength, and it was accompanied by a rapid development of the banking system of the country.

The war placed a tremendous strain on the public finances, and affected the British financial system in two ways. It involved the Government in borrowing on an enormous scale and so led to a rapid development of the machinery of the Stock Exchange and of capital flotations. And at an early stage it broke down the monetary system and initiated a period of more than twenty years of inconvertible paper money.

The banking system had been evolved out of the commercial system of the country, and particularly out of the prevalent use of bills of exchange, not only for international trade, but for domestic trade also. The business of the private bankers of London had grown up in the seventeenth century rather out of dealings in bullion and specie than out of dealings in bills. But, once established, they provided all the facilities of deposit banking. Merchants paid one another with notes or cheques, and the need for skilled appraisers of the precious metals as part of the machinery of payment dropped into the background. The bankers received deposits and bought bills of exchange to hold against them.

By the end of the eighteenth century there was an active market in bills of exchange, and there was coming into existence a class of bill-brokers, who at that stage were mere brokers or intermediaries for facilitating the sale of bills. The

Bank of England, its monopoly of joint-stock banking as yet unchallenged, was gradually assuming the position of a central bank or lender of last resort. Merchants who wanted to sell bills and could find no other buyer brought them to the Bank of England to be discounted.

Imports were of course financed by sterling bills. But the accepting-house system, by which international trade other than British imports is financed by bills drawn on London, had not yet taken shape. Merchants commonly undertook both export and import business, and the big merchant would often be in a position to give long credit to foreign purchasers because he could finance his own purchases by accepting bills. But the development of the merchant into the merchant banker, who lent his name as the acceptor of bills for a commission, did not occur till the middle of the nineteenth century.¹

The greater part of the bills passing through the London discount market at the end of the eighteenth century were domestic bills drawn by British sellers of goods on British purchasers. The predominance of the London commodity markets led to a more than corresponding predominance of the bill on London. The purchaser of goods produced in any part of England (unless for a purely local market) was likely to be a merchant or wholesale dealer who had an establishment in London and an account with a London bank, even if the particular goods in question were never destined to go to London or to be bought or sold in London.

To meet the need for some regular organization to discount bills at country centres and bring them up to London to be accepted, a system of country banks came into existence in the latter half of the eighteenth century. A trader at a country centre who was led regularly by his business to draw bills on purchasers of his goods in London would find it necessary to secure the services of a London banking correspondent or some other agency to deal with the bills. Such an arrangement once

¹ Professor Clapham finds traces of it in the evidence given before the Select Committee on Commerce and Industry in 1833 (see *Economic History of Modern Britain*, vol. 1, p. 261).

made, he would be able to offer facilities to any one else at the same centre who was in need of the same services. He could collect bills for his neighbours, or could buy them as an investment for any surplus funds of his own. It would be convenient for those whose bills he took to leave the proceeds of collection or of discounting with him till they were actually required, and so the dealings in bills led naturally to deposit banking. But in the early days of the country banks the prevalent form of bank credit was notes rather than deposits. The country banker who discounted or collected bills would hand out the equivalent in his own promissory notes payable on demand, which thereupon circulated as currency. There was no limitation on the freedom of any one to issue notes, so long as the Bank of England's monopoly of joint-stock banking was respected.

At first the country banks issued notes of small denomination (£1 or less) which might fulfil all the uses of currency other than subsidiary silver. But by an Act of 1777 all notes below £5 were in effect prohibited, and for the time being the note issue became available only for the larger payments, gold coin (guineas and half guineas) being indispensable for wages and retail transactions.¹

Meanwhile the note issues of the London private bankers had dropped into desuetude. They could not compete with the superior credit of the Bank of England, and they had moreover found a lucrative field for their activities in the deposit banking required for the commercial and financial interests of London, both as a national and as an international centre. Bank of England notes supplied the paper currency of London, and the cash reserves of the London banks were held mainly in that form. Only in the course of the nineteenth century did the reserves come to be held mainly in the form of deposits at the Bank of England. Till 1853 clearing balances were settled with Bank of England notes. In some country districts (Lancashire, for example) Bank of England notes circulated, but for

¹ With the growing wealth of the country silver was already becoming inconvenient as the principal medium for such transactions. That is why people acquiesced in a *de facto* gold standard and a chronic scarcity of silver coin.

the most part the notes of the local country banks predominated. It must be remembered that, till the provincial branches of the Bank of England were founded (1826-44) Bank of England notes were not locally convertible into coin. Nor were they legal tender till 1833.

The country banks held local cash reserves in the form of coin, but they also held reserves in *London*, in the form of deposits with London banks, and they relied on these London reserves to supplement their local specie reserves in case of need. Any one country bank that was running short of cash could draw bills on its London reserves and get them discounted by other banks of the neighbourhood. But in case of a sudden and simultaneous pressure on *all* the banks of a provincial centre at a distance from London, the inevitable delay in transporting specie in those days of primitive communications might cause serious trouble.

The outbreak of war with France in February 1793 found business in a somewhat unsound condition. Several years of activity and rising prices had brought about a state of tension, and a reaction was due. War precipitated the reaction in the intensified form of a panic. Goods became unsaleable, and the credit system was paralysed. The discount market, with the Bank of England as lender of last resort, ceased to be an adequate instrument for the provision of credit. Merchants who could not sell goods had no purchasers to draw bills on. They needed in some form advances on the security of goods still awaiting sale. Such advances the practice of the Bank of England would not admit of, and the Government intervened with emergency legislation empowering the Treasury to make advances on merchandise in the form of Exchequer bills (the short-dated government security that had been in use since it was introduced by Montagu in 1696). Since the Bank of England was willing to make advances on the security of Exchequer bills, the merchants who received them could raise cash. The real function of the Exchequer bills was to afford a government guarantee for the advances made by the Bank. The measure may be compared with the government guarantee

given for the advances on premortatorium bills in 1914. The advances of Exchequer bills in 1793 amounted to £2,200,000, and the Government incurred no loss. The panic was successfully surmounted.

The first two or three years of war involved no very serious financial strain. If there were traces of inflation, they may be attributed rather to the contagion of the inflationary movement in France, where the assignats were driving gold and silver coin abroad, than to any abuse of credit in England.

By the end of 1795 the financial effort imposed on Great Britain by the war was becoming more serious. Very little taxation had been imposed, and the demands made by war loans upon the national savings were swollen by guaranteed loans on behalf of an ally, the Austrian Emperor. And just at that moment the monetary situation was complicated by the collapse of the French paper currency. The assignats were utterly discredited, and were being rapidly displaced in all transactions by specie. By the middle of 1796 France had returned to an exclusively metallic currency. The disturbance of the markets in the precious metals was very violent. At the outbreak of the Revolution the stock of monetary gold and silver in France had been estimated at 2,200 million livres or £88 millions. This was a very large proportion of the entire monetary supply of Europe. Great Britain hardly possessed a quarter as much. The outflow of specie from France in the years preceding 1795 and the inflow that followed were on a considerable enough scale to cause violent disturbances in the value of the precious metals in terms of goods.

Moreover, the coinage ratio of gold to silver in France had been raised in 1785 from $14\frac{1}{2}$ to $15\frac{1}{2}$. The effect of this change in attracting gold or in modifying the ratio in the markets of the world, in the interval before the flood of paper money began, had not been felt owing to the large seignorage charges and remedy allowances at the French mints, which more than offset the profit to be derived from getting gold coined and melting down silver. But in 1795-6, when gold and silver coin were valued on the Paris Bourse solely by their metallic contents,

a preference for the metal that compressed a given value into the smallest bulk made the rise in the valuation of gold fully operative. The brunt of the French demand for specie fell upon England, as being the only important gold-using country. The drain of gold thus set up was much too powerful to be withstood either by the general legal prohibition upon the export of British gold coin or of gold obtained by melting such coin, or by the particular prohibitions imposed by the state of war. Already in the latter part of 1795 the loss of gold sustained by the Bank of England was becoming serious. The Bank sought to safeguard itself by restricting its discounts, and refusing bills, however good, in excess of a prescribed total.

The directors attributed their troubles to the external liabilities assumed by the Government in connexion with the war and to the accommodation which the Bank was compelled to grant by discounting bills drawn abroad to meet them. But in view of the economic strength which the country had attained, to say nothing of the power of resistance which it had shown under similar conditions in earlier wars, the absorption of specie by France may be regarded as the more decisive cause of the crisis which arose.

The gold in the Bank of England having been reduced to a very low level, a sudden shock to confidence was occasioned by an invasion scare in February 1797. There were runs on country banks for guineas, and the Bank's depleted reserve was threatened. The Government decided that payments in coin must be suspended, and an Order in Council restraining it from such payments was passed in anticipation of definitive legislation. The legislation followed immediately in the form of the so-called Bank Restriction Act.

To deprive depositors and note-holders of any medium of payment of denomination suitable for wages and retail transactions would have been to bring business to a complete standstill. Bank of England notes of £1 and £2 were immediately legalized and hastily produced. The country banks were simultaneously empowered to issue such notes.

The notes of the Bank of England became the principal

hand to hand currency of the country. But they were not immediately made legal tender. The merchants and bankers of the City of London met together and formally undertook to accept them, and throughout the country they passed unquestioned.

In the years immediately following the Restriction the currency, though inconvertible, was not depreciated. The deflationary effect of the crisis itself improved the foreign exchange position. Moreover, the very failure of the continental war diminished the financial strain. When England was left alone without allies, at any rate there were no more subsidies or guaranteed loans.

A greater effort was also made to increase taxation, an income-tax being introduced (though not at first with the deadly effectiveness later founded on taxation at source).

In 1799, nevertheless, a sudden spasm of depreciation was experienced. A crisis broke out at Hamburg. The German economic system was based on a silver standard, and had felt the French drain of specie at a later stage than the gold-using England. The fleeting Peace of Amiens in 1802 found the British currency still depreciated, and the restriction was prolonged, and was still in operation when the war was renewed in 1803. Legislation was then passed continuing it for the duration of the war and for six months after the conclusion of a definitive treaty of peace.

In the war of 1803-14 the finances of the country were managed with prudence. The income-tax was reimposed and the rigours of taxation at source doubled its yield. At the rate of 2s. in the £1 it regularly produced £12 to 14 millions a year. In the early years of the war the financial strain was tolerable, and there was no considerable depreciation of the currency. In 1809, however, a change began to be felt. The burden of war finance was growing once again, and Napoleon's continental system was already interfering with trade. But the depreciation of the pound sterling which began at this time was due not so much to the war as to a credit expansion which originated in trade activity, and which the Bank of England,

released from dependence on metallic reserves, did nothing to stop.

Since trade activity induces credit expansion, and credit expansion by enlarging demand stimulates trade activity, any tendency to expansion which appears, and which is not checked by the exigencies of a metallic currency, or by some other limiting principle, is likely to grow cumulatively. The Bank Restriction had prepared the way for such a movement, and it was already gathering impetus during the years 1803-7 without causing any considerable depreciation of the pound so long as it was merely keeping pace with trade revival on the Continent. The revolt of Spain against the French in 1808 opened for the first time an effective breach in the Spanish monopoly of the South American trade. Of that opportunity the English in virtue of their alliance with the Spanish patriots and of their complete command of the sea, were alone in a position to take advantage. There ensued a period of commercial activity and optimism. Trade with South American ports several months distant had a highly speculative character, and involved great length and therefore great volume of credit.

The practice of the Bank of England was to discount all good eligible bills that were offered. It was guided entirely by the quality and character of the bills, and in no degree by the total amount that it had to discount. The amount of bills drawn to finance sales of goods might be increased to an indefinite extent by trade activity, and the need for currency would not impose a limit on the growth of activity or on the rise of prices so long as bills could be readily turned into currency at the Bank of England. The usury laws prohibited a rate of interest above 5 per cent., so that the Bank was precluded from deterring borrowers by raising its rate of discount above that figure. It had no means of limiting the amount of currency created by discounts except the 'rationing' of discounts to which it had had recourse at the end of 1795, a measure recognized to be undesirable, and inconsistent with the Bank's public duty as the lender of last resort.

Under these conditions activity easily led to inflation. At the

same time the tendency to depreciation was aggravated by Napoleon's Continental System, a blockade directed against the British export trade.

In 1809 the depreciation of the pound became pronounced. The price of gold reached £4 11s. a standard ounce, equivalent to a depreciation of nearly 15 per cent. In the following year there was appointed a Parliamentary Committee on the High Price of Gold Bullion, the celebrated 'Bullion Committee'. The Committee's Report recommended deflationary measures with a view to an early resumption of gold payments. The question came up for debate in the House of Commons in May 1811. The Government, faced with the problems of war finance, decisively opposed the Committee's recommendations, and the restriction of gold payments was continued throughout the war.

Meanwhile the depreciation of the pound had been accentuated. In the latter part of 1810 the trade activity and credit expansion were interrupted by a financial crisis which caused a momentary recovery of the pound. But the Continental System was being tightened up and extended, and early in 1811 a new complication appeared in the form of a violent financial crisis on the Continent.

The deflationary effect which might have been expected to ensue upon the financial crisis in England was mitigated by advances of Exchequer bills on the model of 1793, while the metallic currencies of the Continent were exposed to the full rigours of the crisis there.

In the following years, up to the abdication of Napoleon in 1814, the financial strain of the war was at its maximum. The Peninsular War was reaching its climax; Napoleon's Russian disaster led to the formation of a new European Coalition which required lavish subsidies; war broke out (1812) with America over neutral rights; the burden of war expenditure so far outstripped current resources that there was an unparalleled addition to the floating debt, and of this expenditure the greater part had to be met abroad.

The depreciation of the pound increased to 30 per cent. But meanwhile the law as it stood required a resumption of

gold payments within six months after a definitive treaty of peace. The treaty was actually made on the 30th May 1814, but an Act passed in July postponed resumption to the 25th March 1815, and, even before Napoleon's escape from Elba had precipitated a renewal of war, a further Act had deferred the date to July 1818. That was still the operative date when Waterloo (June 1815) at last terminated the war beyond all question.

The supposed imminence of the resumption of gold payments had brought the discount on the pound down to 10 per cent. in the latter part of 1814, as compared with 30 per cent. a few months before. The renewal of the war caused a set-back, but by the end of 1815 the depreciation was only 5 per cent. That meant that the price-level in England had suddenly to be adjusted to the prices prevailing in countries which had remained on a metallic standard. Those prices were themselves falling. The consequent losses and embarrassments among traders were very great. The recrudescence of depreciation during the Hundred Days was too fleeting to restore the situation, and after Waterloo and during 1816 the full rigours of deflation were endured.

The pound was practically at par. The Bank of England was buying gold in large quantities at a small fraction above the Mint price. In the foreign exchange market the pound was actually above parity.

Nevertheless, before the date fixed for resumption there was a reaction, and further postponement became necessary. The Government finances had not been brought into a sound condition. The House of Commons insisted on repealing the income-tax, against the intentions of the Government, in 1816. The ill-judged sinking-fund system, requiring the redemption of debt on a far larger scale than could be met out of revenue, placed obstacles in the way of the funding of the floating debt, and even involved additions to it. A recovery of business on the Continent in 1817-18, while it lasted, favoured the pound, but it culminated in a financial crisis in France in 1818, and the sudden stringency caused a renewed depreciation of the

pound. The resumption of gold payments was once more deferred.

Parliamentary Committees were appointed in 1819 to advise as to the question of resumption, and a programme of gradual resumption was embodied in a Bill introduced by Sir Robert Peel, who had been Chairman of the Commons Committee, and it was passed into law in that year. Convertibility into gold coin was to be resumed in 1823, and meanwhile there was to be a preparatory interval in which the Bank was to sell gold in the form of bars at a gradually diminishing premium and then at par. This early instance of what is now called a gold bullion standard was based on Ricardo's 'ingot plan'.

As it turned out, the premium on gold vanished before the end of 1819, and the date of convertibility into gold coin was advanced to May 1821. As the Bank was a buyer and not a seller of gold in the interval, the ingot plan never came into practical operation.

The Act of 1819 marks the definitive adoption of the gold standard. The over-valuation of gold by the Act of 1717 had made gold in effect the standard during the eighteenth century. In 1798 a fall in the market-price of silver below the coinage price threatened a substitution of silver for gold, and a temporary Act of that year suspended the free coinage of silver. But the Bank Restriction was already in operation, and there was for the time being no metallic standard at all. In 1816, when resumption was coming into prospect, a comprehensive Coinage Act was passed, which made gold the sole unlimited legal tender, and placed silver in the position of a subsidiary token currency of legal tender only for amounts not exceeding 40s. The Act had contemplated the purchase of silver by the Mint at 62*d.* per ounce. That price, corresponding to a ratio of 15·21 to 1, over-valued silver, and this arrangement would soon have been found embarrassing. But the proclamation by which it was to be put into operation was never issued, and the result was that the purchase of silver for coinage became a matter within the discretion of the Mint, as it has remained ever since.

The Act of 1816 maintained the coinage price of gold un-

changed at £3 17s. 10½d. a standard ounce. It suppressed the guinea, which had been the principal gold coin of the country since 1663, and provided for the coinage of sovereigns of £1 and half-sovereigns of 10s. Thus the way had been prepared for a gold standard established on a statutory basis, and the Act of 1819 completed the scheme by permitting the export of gold coin and of gold melted from gold coin.

The power of the banks of issue (the private banks as well as the Bank of England) to issue notes below £5, originally granted during the Restriction and for two years thereafter, was prolonged by an Act of 1822 to the 5th January 1833. The Bank of England had already withdrawn its small notes except for an insignificant residue, but the country banks continued to issue them till after the crisis of 1825, when their withdrawal was hastened by amending legislation. All notes below £5 once eliminated, gold coin became indispensable for use as hand to hand currency, and a gold specie standard was effectively instituted in place of the transitory gold bullion standard. That remained operative till the issue of currency notes in 1914.

The end of the Napoleonic Wars found Great Britain in a unique position of economic power. The Industrial Revolution had been taking effect in a rapid and extensive development of British manufactures at a time when incessant war had made any continuous economic progress on the European Continent impossible. Most of the countries of Europe had suffered invasion more than once, and had seen invasion followed by the rigours of a military tyranny the economic exactions of which were all the more exhausting because they outstripped the normal machinery of public finance.

Not only had British manufacturers gained a start of a generation over their competitors, so that they enjoyed something not far short of a national monopoly of mechanical factory production, but the British financial system had secured an equal pre-eminence.

The national debt, exceeding as it did £800 millions, had become a tremendous burden, viewed by many people with the gravest misgivings. The deflation that started at the end

of the war and reduced the price-level by 40 per cent. in two years, aggravated the burden.

Nevertheless, the growth of the debt itself had assisted the financial development of the country. At the end of the eighteenth century the business of the Stock Exchange had comprised very few securities other than those of the National Debt. Bank of England Stock, East India Stock, and South Sea Stock were the principal items. The growth of the debt meant a corresponding growth of dealings. The market became perforce better organized both for new issues and for purchases and sales of existing securities. When the war came to an end the simultaneous cessation both of the income-tax and of the war loans left a vast mass of annual savings to seek openings for investment. For a time deflation cut short both profits and savings. But by 1819 the worst rigours of deflation were over, and, though stringency and depression continued in some degree till 1824, activity developed in the investment market.

The Industrial Revolution had created a new demand for capital goods, but the development of steam railway transport did not really begin till 1830, and the capital needs of manufacturing industry were by no means sufficient to absorb the available supply of savings. At the same time a number of impecunious foreign governments found themselves in urgent need of loans. There were European governments whose finances had been disordered by the war. There were South American republics which had just used up all their resources in freeing themselves from the sovereignty of Spain.

To meet this demand the British investment market started on its career as an external lender. Financial houses, merchant bankers with large private capital, with good credit, and with extensive business relations in the City of London, undertook to act as intermediaries in introducing foreign loans on the market. It was in such business that the great houses of Rothschild and Baring established the primacy which made their names household words.

These merchant bankers were a distinct group from the London private bankers. They did not aspire to attract

deposits, though they would receive such deposits as arose out of their other business. Apart from their functions as issuing houses, they were chiefly concerned in foreign exchange business. Every international merchant was necessarily a dealer in bills and in foreign exchange. As soon as such a merchant had found correspondents or agents in a number of foreign centres and established the necessary communications with them, he was qualified to carry through not only his own foreign exchange business, but that of any other people with those centres. There was thus a tendency for the greatest merchants, who could afford the overhead expenses of an international organization, to become dealers in foreign exchange, while the lesser merchants depended upon them for facilities.

For the issue of a foreign loan on the London market facilities for large-scale foreign exchange transactions were indispensable. Those facilities could only be offered by the great merchants, and they were further qualified for the part of intermediaries by the magnitude of their own resources. In the days before joint-stock enterprise had been developed (and when the law was unfavourable to it) a great individual fortune was an instrument of unrivalled power. And great fortunes were made mainly by mercantile enterprise. Manufacturers, it is true, grew rich. But a manufacturer's capital was usually tied up in his own business. The merchant's capital was liquid, and could readily be made available for financial purposes.

When, towards 1824, the régime of falling prices and trade depression associated with the restoration of the gold standard was interrupted by a revival, the effect was felt in a new stimulus to capital flotations. The trade revival may be traced, in part at any rate, to inflationary public finance. The worst extravagances of the sinking fund had been corrected, but Vansittart, the Chancellor of the Exchequer, carried through Parliament a very ill-judged plan for commuting the burden of war pensions for a fixed annuity, a part of which he induced the Bank of England to buy in 1824. At the same time the 4 per cent. debt was converted to $3\frac{1}{2}$ per cent., and the Bank of England provided an advance of £4,500,000 to pay off dissentients. This expan-

sion of the assets of the Bank had an inflationary tendency at a time when markets were prepared for a reaction from the falling prices of the preceding five years. And the sudden increase in the export of capital accentuated the adverse effect which credit expansion was in any case bound to have on the foreign exchanges. Before the end of 1824 a big outflow of gold began. Early in 1825 the Bank took measures to check it by raising bank rate from 4 per cent. to 5 (the highest rate consistent with the usury laws), and by selling Exchequer bills. The measures taken were successful. But their success was itself a new cause of trouble. The rise of the price-level was abruptly reversed, and the outflow of gold was checked, but there resulted a state of commercial embarrassment which developed towards the end of the year into a violent financial crisis and panic, accompanied by extensive failures not only among merchants but among banks.

The Bank of England at first afforded help on traditional lines by discounting bills which conformed to its requirements. But that was not enough. Banks which had realized all their eligible bills still had to meet further demands from depositors and note-holders. On the 14th December 1825 the Bank of England took a bold step in extending the character of the accommodation it offered to borrowers. Instead of confining itself to the rediscount of bills, it declared itself ready to make advances on collateral security, particularly on government securities or on bills. Such advances were just as safe in themselves as the rediscount of eligible bills, but the extension of lending by the Bank increased the risk of an exhaustion of the reserve. The suspension of many country banks had made a gap in the monetary circulation, and there resulted an intensified demand for gold coin. A few days after the extension of advances, a forgotten stock of £1,000,000 of unissued one-pound notes was discovered in the vaults of the Bank. The Bank still had legal power to issue them, and they were sent down with all speed to some of the distressed country banks, where they served the purpose of an emergency currency, in that they could take the place of gold as hand to hand currency.

The panic was checked by the measures taken in 1825. But the distresses of merchants were disclosed more slowly than those of banks, for whereas the banks' liabilities were payable on demand, those of the merchants were mainly in the form of bills of which the maturities were spread over months. In the early months of 1826 commercial embarrassments became threatening, and the Bank of England agreed, under pressure from the Government, to make advances on the security of merchandise.

The crisis of 1825 played an important part in the financial history of the period. It surpassed in severity all previous crises since the South Sea Bubble, and this last had been a stock-market crisis complicated by corruption in high quarters, and had not seriously involved the banking system. Comparison might be made with the crises of 1793 and of 1797. But they had been less virulent, and being war-time crises had been less significant of organic defects. The crisis of 1825, on the other hand, gave clear evidence that there was something wrong with the credit system of the country, and much of the financial legislation of the succeeding twenty years was inspired by the desire to remedy the defects and to prevent a recurrence of the disorder.

The legislation began with two Acts passed in 1826. One suppressed the notes below £5, requiring all to be withdrawn by April 1829. So far as the country banks were concerned, it was thought that small notes circulating among ignorant and irresponsible people would be more likely to be irrationally discredited and so to start a panic. That would hardly apply to Bank of England notes of small denomination, which were not likely to be discredited, but were likewise suppressed. Here the motive was rather a reliance on the stability of a metallic circulation in contrast with a system which might supply the entire active circulation of the country by means of paper currency independently of the country's stock of the precious metals.

The suppression of small notes did not extend to Scotland or Ireland. The Government had proposed to apply it to Scotland, but Scotland had been using one-pound notes all through

the eighteenth century and up to the Bank Restriction, and the proposal was abandoned in deference to an agitation made memorable by Scott's *Letters from Malachi Malagrowther*.

The Scottish banking system was indeed quite separate and distinct from the English. The Bank of England's monopoly of joint-stock banking did not extend to Scotland, and Scottish banking was mainly in the hands of a half a dozen relatively large and solid joint-stock banks with numerous branches. These banks were linked on to London, having London reserves, and carrying on the same kind of business in bills on London as the English country banks. But that link was in itself no closer than might be established with a foreign country.

The other Act of 1826 was concerned with the legality of joint-stock banks. Even before the crisis of 1825 the Bank of England's monopoly of joint-stock banking had been assailed by criticism. After the crisis the practical consequences of the Bank's monopoly had become the subject of serious misgiving. The numerous and frequent bank failures were directly traceable to an artificial prohibition of any greater concentration of resources than those of six partners in a single bank. Bankers might, no doubt, grow rich, but family fortunes had to be divided up, and the total remaining in the hands of the active partners in any one bank was constantly being depleted. Another consequence of the prohibition of joint-stock banking was the narrow limitation of branch banking. To carry the overhead expenses of numerous branches, and to afford a guarantee of solvency in proportion to their transactions, a large capital would be required. The process of amalgamations and mergers by which a system of local unit banks is most easily developed into a system of branches was impeded when any partners in excess of six had to be bought out, so that their capital would be removed from the business.

As American experience has shown in recent years, a system of unit banks without branches is liable to frequent failures, not only because the individual banks are small, but because the business of any one bank is too local and not sufficiently diversified to spread the risks.

In 1822 Lord Liverpool's Government made proposals to the Bank of England for the curtailment of its privileges in this respect, and the Bank agreed that, in consideration of the prolongation of its Charter (which was due to expire in 1833) for ten years, joint-stock banks should be allowed to be established at any place not within sixty-five miles of London. On that occasion the proposal fell through, because Parliament was not prepared to agree to the prolongation of the Charter.

In 1826, the case for reform having been strengthened by the crisis of 1825, the Bank agreed to this proposal without any stipulation as to the prolongation of its Charter, and the requisite Act was passed accordingly.

The Act of 1826 was in the nature of a compromise. The Bank saved the monopoly of joint-stock banking in the London district at the cost of surrendering it in the rest of the country. But in the meantime a flank attack was being made upon the Bank's position in the London district also.

The monopoly had been so defined by an Act of 1708 (continued by subsequent Acts of 1716 and 1742) as to forbid any association of more than six partners 'to borrow, owe or take up any sum or sums of money on their bills or notes, payable at demand or at any less time than six months from the borrowing thereof'. When that definition was drafted, it was taken for granted that the obligations of a bank (or at any rate some of them) must be embodied in negotiable instruments such as bank-notes. The possibility of banks of deposit with no note issue at all was disregarded.

But by the opening years of the nineteenth century the London private banks had long been carrying on business precisely on that basis. In 1822 Thomas Joplin argued that there was nothing to prevent joint-stock banks from doing the same, and, when the time came in 1833 for reviewing the Bank's Charter, the Law Officers of the Crown took the same view. A section was included in the Bank Charter Act of that year to remove doubts, and it expressly recognized that even in London joint-stock banks which did not issue notes would not infringe the Bank's privilege.

The Bank Charter Act of 1833 contained a variety of provisions relating to credit institutions as well as to the Bank of England. It made Bank of England notes legal tender (in England and Wales, not in Scotland or Ireland); it required the Bank to make weekly returns of its notes, deposits, bullion, and securities to the Government (though only the averages for periods of three months were to be published); and it exempted bills of exchange and promissory notes not having more than three months to run from the usury laws, which limited the rate of interest to 5 per cent. This last provision empowered the Bank to use its rate of discount, or 'bank rate', as an instrument of credit restriction in circumstances of pressure when 5 per cent. was an insufficient deterrent.

The Act of 1833 did not prescribe a policy to the Bank of England. At the hearings of a Parliamentary Committee in the preceding year the representatives of the Bank had formulated a policy. They explained that they aimed at keeping the total amount of the Bank's holding of securities constant, so that every fluctuation in the liabilities (note issue *plus* deposits) should be accompanied by an exactly equal fluctuation in the metallic reserve. As to the standard to be laid down for the metallic reserve, they held that the constant holding of securities should be so calculated that when the currency was 'full' (that is to say, in equilibrium) the metallic reserve would be one-third of the liabilities.

In the ensuing years up to the next parliamentary inquiry, which was held in 1840, the Bank Directors endeavoured to apply this policy, but with indifferent success. In the first place they found themselves from time to time receiving deposits of an exceptional character which it would be absurd to cover with equal additions to their bullion. And secondly at a time of pressure (such as arose in 1837 and again in 1839, though not with the characteristics of panic that appeared in 1825) the objective of keeping the total holding of securities constant was found to be inconsistent with the Bank's all-important function as the re-discounting institution, which stood ready to supply the banking community with additional currency in

case of need. The newly acquired power of raising bank rate above 5 per cent. was resorted to in 1839, the rate being raised to 6 per cent. But that was not enough, and the Bank, threatened with the complete exhaustion of its reserves, raised credits of £2 millions in Paris and £900,000 in Hamburg.

Sir Robert Peel, who became Prime Minister in 1841, determined to take advantage of an option reserved to Parliament by the Act of 1833 to make a break in the Bank's Charter after ten years, to legislate further in regard to the Bank's functions. An influential group, of whom Lord Overstone (Jones Loyd) was the most prominent, advocated giving statutory force to a modification of the policy already acted upon by the Bank. Instead of the total holding of securities being kept constant, the securities held *against the note issue* were to be kept constant. The Bank Charter Act of 1844, which carried this proposal into effect, divided the Bank into two departments, an Issue Department of which the liabilities were composed of notes, and a Banking Department of which the liabilities were composed of deposits. The Issue Department received a fixed holding of securities (initially £14 millions) together with the entire metallic reserve of the Bank (except so much gold and silver coin as was required for the purposes of current cash). Against these assets it issued notes, so that the note issue rose and fell automatically as the metallic reserve rose and fell.

But of course the notes in active circulation outside the Bank of England were determined by the convenience of the public, and did not correspond with the assets of the Issue Department. The excess of the notes 'issued' over those in active circulation was held in the Banking Department, where it appeared among the assets as a 'reserve'.

Thus the reserve in the Banking Department represented that part of the Bank's power of issuing notes which was unexercised. Or it might be regarded as conferring a command upon so much of the metallic reserve shut up in the Issue Department. The advocates of the plan contended that, the power of note issue once separately regulated, the Banking Department would be able to carry on its affairs just like any

other bank. It would have to regulate its credit operations with reference to its 'reserve', which constituted its available cash resources.

The rigid limitation of the note issue of the Bank of England was inconsistent with a continuance of the free right of note issue among the country banks, joint-stock as well as private banks. The Act of 1844 limited them once and for all to their then existing issues. As the right of a bank to issue notes might lapse, either through its being wound up, or through its being amalgamated with a bank carrying on business within 65 miles of London, or through voluntary surrender, and as no *new* right of issue could ever be given, the result of the Act was eventually to extinguish all note issues other than those of the Bank of England. Provision was made in the Act for extending the securities in the Issue Department from time to time by Order in Council by an amount not exceeding two-thirds of any lapsed note issues of other banks. The process was spread over nearly eighty years, for it was not till February 1923 that the last addition was made to the fiduciary issue, raising it to £19,750,000.

In Scotland and Ireland the right of note issue was reserved by Acts passed in 1845 to the banks which already possessed it, but instead of being rigorously limited to the amount of their existing issues the banks were allowed an adaptation of the fixed fiduciary issue system which had been applied to the Bank of England. That is to say they could extend their issues provided any addition were covered by an equal amount of specie.

The country banks' note issues had appeared to take a new lease of life when joint-stock banks had been legalized in 1826. But the Act of 1844 ended their prospects of growth altogether. And, apart from any legislation, bank-notes were in any case losing ground to deposits. English-speaking countries enjoy a very efficient and practical law of negotiable instruments, which includes the law relating to cheques. Legally a cheque is simply a bill of exchange payable on demand. The cheque had already become the primary means of payment in commercial trans-

actions in London in the eighteenth century, and in the nineteenth century the use of it steadily spread throughout the rest of the country. The use of cheques was facilitated by the branch banking system. Not only could branch banks offer facilities to customers in relatively small and remote places with all the solidity of a big capital and extensive business, but a bank with a head office in London or in an important provincial centre could provide efficient clearing facilities for all its branches.

In 1853 the London Clearing House Banks adopted the practice of paying the daily clearing balances by cheque on the Bank of England instead of with Bank of England notes. The cash reserves of the clearing banks came to be held mainly in the form of deposits at the Bank of England. Bank-notes came chiefly to be used as the pocket money of rich men and as the means of payment at country fairs.

Nevertheless, the Bank of England note retained a special importance on account of the intimate relation established between it and the gold reserve by the Act of 1844. When Bank of England notes passed into active circulation the effect was to diminish the reserve in the Banking Department in exactly the same way as when gold coin was withdrawn. When gold was taken from the Bank for export, the consequent reduction in the issue of notes by the Issue Department was immediately reflected in an equal reduction in the Banking Department's reserve.

The new system established by the Act of 1844 was soon to be exposed to a severe test. The crisis of 1839 had been followed by a trade depression. It was not quite so protracted as that which had followed the crisis of 1825 and had lasted till 1833, and by 1844 there were signs of reviving activity. The Banking Department of the Bank of England was to conduct itself 'like any other bank'. It proceeded to apply this principle by fixing bank rate at a competitive rate. Formerly bank rate had never been reduced below 4 per cent. At times of depression, when the demand for credit had dwindled, so that the market rate had been much lower, practically no bills had been discounted

at the Bank, and the Bank's securities had been composed almost exclusively of Exchequer bills and other government securities. In 1844 the market rate of discount had declined under the influence of depression, and no sooner was the new Act passed than bank rate was reduced to $2\frac{1}{2}$ per cent. Throughout 1845 and 1846 bank rate remained low. It was the money market's first experience of cheap money under the direct guidance of the Bank of England. The effect was felt in a revival of business which steadily gathered impetus, and was already threatening to get out of hand in the opening months of 1847.

The situation was complicated by a great outburst of railway development. Railway development on a serious scale dated from 1830, and had already made demands on the capital market in the period of relative prosperity from 1833 to 1837. An unfavourable market had then interrupted it, but the revival which set in after 1844 found the country ripe for a fresh spurt. Railway shares became an object of wild speculation, intensifying the credit expansion, and nothing was done by the Bank of England to counteract it till 1847.

The crops of 1846 were a failure. Heavy importations strained the foreign exchange market, and dangerously big speculative positions in grain made the state of affairs still more precarious. In the spring of 1847 matters came to a crisis. The Bank of England began to impose arbitrary restrictions on its discounts. The foreign exchange position was rectified, but the credit position was beginning to crumble, and in October the crash came. Extensive failures precipitated a state of panic rivalling that of 1825. The theory that the Banking Department could operate 'like any other bank' was blown to pieces once and for all. The credit structure of London absolutely depended on the Bank of England functioning as the lender of last resort. If for a moment the Bank was precluded from lending because there was a danger of the reserve being exhausted, the only means of saving the financial fabric of the City from collapse was to suspend the limitations which prevented it from lending.

The Government of the day addressed a letter to the Bank in which it took upon itself the responsibility of telling the Bank to lend freely (though at a high rate of discount) and of promising indemnifying legislation in case the fiduciary limit imposed by the Act of 1844 were infringed. This was the first of the famous 'crisis letters'.

That stilled the panic, and it was not even necessary actually to exceed the limit. The Act had failed to prevent the occurrence of a crisis. Its opponents argued triumphantly that it had made things worse. But it had in one respect worked beneficially. It had secured the retention of a second line reserve, £6 millions of bullion held in the Issue Department, which could not be touched without breaking the Act. And when the Government intervened it was not, as in 1797, to tell the Bank to suspend gold payments, but merely to make this second line reserve available.

The lesson to be learnt from the crisis was that the Banking Department could not afford to behave merely like any other bank, but must act up to its responsibilities as the holder of the final reserve of the banking system and as the lender of last resort. In the years that followed the Bank made a much freer use of bank rate, raising it and lowering it according to the state of the reserve. A reserve in the Banking Department in excess of £6 millions was regarded as adequate, and one in excess of £8 millions as justifying a low bank rate.

The period from 1848 to 1871 was one of great strain and trouble in the financial world. The mechanization of industry and transport was in full swing in Europe and the United States, involving a great capital outlay and a rapidly growing output. There was great political unrest; the revolutionary movements of 1848 were followed by a succession of great wars, including the Crimean War and the American Civil War and ending with the Franco-German War. The monetary situation was disturbed not only by the lavish issues of paper money by some of the belligerent countries, but also by the sudden increase in the output of gold dating from the Californian and Australian gold discoveries.

Profound modifications were introduced into the British credit system. The legislation of 1826 and 1833 had been immediately followed by a rapid and striking development of joint-stock banking. But for some years progress was impeded by opposition (sometimes vexatious) from the Bank of England and the private banks, and the law refused to recognize the existence of trading corporations at all except in the special case of companies receiving a charter from the Crown. Each railway company had to be constituted a corporation by its own special Act of Parliament. The joint-stock banks, having neither charters nor private legislation, were in law simply big partnerships, with no corporate existence for such purposes as suing and being sued, and without the privilege of limited liability.

An Act passed in 1844 permitted the incorporation of banking companies, and laid down appropriate conditions, and further Acts of 1857 and 1862 merged the law governing banking companies in the general company law then in course of being enacted. At first banks had been precluded from the privilege of limited liability, but in the later Acts this was allowed, subject only to the exception that the liability of shareholders for note issues was to be unlimited.

The privilege of incorporation was taken advantage of by two principal classes of banks. In the first place there were those doing the same business as the old country banks and the London private banks of deposit, that is to say, those doing the *interior* banking business of the country. Secondly there was a growing class of 'exchange' banks, British-owned banks doing business abroad, some in the British Empire, others in foreign countries, particularly in South America and the East. Some of these exchange banks had been granted charters under the old procedure before the general joint-stock company legislation. Some were formed under the company laws of the British possessions where their business was carried on. Others were formed under the newly passed Company Acts at home.

The exchange banks encroached to some extent on the field of the merchant bankers, in that they dealt in foreign exchange

and participated in the new and growing business of granting acceptance credits. But in their case this business was carried on only for their depositors.

The merchant bankers continued to be private partnerships.¹ Their business as dealers in foreign exchange and as issuing houses has already been referred to above. In the period preceding the crisis of 1857 the acceptance business, which has ever since been one of the most characteristic features of London as an international financial centre, was coming into existence.

The merchant banker had for a long time been offering the lesser merchants facilities in the collection of the bills they drew when they sold goods abroad. He now began to render services in the case where the lesser merchant *bought* goods from abroad; the latter was granted an 'acceptance credit', enabling him to arrange for the foreign seller of the goods to draw a bill upon the merchant banker instead of on the purchaser himself. A bill drawn upon a merchant banker of first-rate credit was more readily discounted and was discounted at a more favourable rate than one drawn on an obscure and unknown trader of slender resources. The merchant banker received a commission for accepting the bill. Naturally he could not offer to accept bills for any stranger who would pay for the service. If he was to preserve the good credit upon which his power rested, he had to exercise great care in the selection of the clients for whom he would accept bills, and on whose honesty and solvency he had to rely to remit to him the funds necessary to meet the bills at maturity. But having started as merchants, the merchant bankers would possess an intimate knowledge of the affairs of many lesser mercantile firms with which they had done business, and of the characters of their members. They knew whom they could trust, and with them they were able to create a valuable business connexion.

It was particularly with foreign merchants that this business was developed. The provision of acceptance credits for British

¹ Barings was converted into a private company after the crisis of 1890. Some other merchant bankers have adopted the same form (e.g. Lazards) But they do not become *public* companies.

merchants importing goods into their own country was less specialized. The peculiar province of the merchant bankers working as 'accepting houses' was the provision of sterling acceptance credits for merchants importing goods into foreign countries or British overseas possessions. Bills were drawn on London to finance goods destined to be sold all over the world.

One of the witnesses appearing before the Parliamentary Committee of 1858 attributed the crisis of 1857 to the practice of granting these acceptance credits, since the bills could not be accompanied by 'documents' (bills of lading, &c.). When they did not go to the same country as the goods, the acceptance credits could too easily be used for drawing accommodation bills instead of commodity bills.

It may well be that at that early stage in the development of the system it was abused. But it soon became highly respectable, and conspicuous for its solidity. The merchant bankers formed a financial aristocracy of the City of London, and it was largely from among their partners that the directors of the Bank of England (who were precluded according to established practice from being 'bankers' in the narrow sense) were selected. Besides the accepting and issuing business and dealing in foreign exchange, there were certain firms of merchant bankers specializing in dealing in the precious metals. The markets in gold and silver bullion have long been centralized in London in close association with the foreign exchange market.

Another group of financial houses which was in course of evolution in the middle of the nineteenth century was that formed by the bill brokers or discount houses. In the early part of the century they had been mere brokers, intermediaries who undertook to bring the buyers and sellers of bills of exchange together. Bankers found it troublesome either to select bills so that the maturities exactly fitted in with requirements, or to sell bills when maturities did not correspond to their need for cash. Instead of laying out the whole of their disposable cash on buying bills outright, they preferred to lend a part of it at call or at a few days' notice to the bill brokers on the security of bills. In consideration of the convenience of being able to call

up just so much cash as they needed day by day and no more, they were willing to lend the money at a rate of interest a little below the rate yielded by bills. The brokers thus made a profit, and since the cash called was mainly to make payments from one bank to another, they would very commonly find that they received as much cash on the one side as they had to pay out on the other, and did not have to raise any fresh cash at all.

This practice, which had come into vogue between 1840 and 1848, transformed the bill brokers into *dealers* in money and bills. They ceased to be mere intermediaries and became investors in bills. At the same time they were the repositories of all the spare money of the banking community. Balances that would otherwise have been idle and unremunerative could be lent without any loss of liquidity at a competitive rate of interest. The pool of money so formed was very sensitive to the factors of demand and supply.

There was a continuous flow of bills into the market. There were still internal bills drawn to finance sales of goods by one British trader to another (though these were already being displaced by advances and overdrafts), and there was a great and growing mass of bills drawn to finance international trade, some in respect of British imports, others drawn on British accepting houses or exchange banks in respect of goods moving to any part of the world. This stream of bills was bound to be subject to more or less irregular fluctuations (partly casual and partly cyclical). Whenever it increased beyond what the banks, in view of their cash reserves, were willing to hold, the banks would call up money from the bill brokers. But the bill brokers had no *money*; they held only bills. They could not sell bills to the very banks that were calling up cash. In fact they had to rely on the Bank of England to rediscount bills for them. The bill brokers had inherited the function that had formerly belonged to the merchants of procuring a supply of cash at need from the Bank of England, the lender of last resort.

By 1857 (though the greater part of the development of the joint-stock banks was still to come) the characteristic differentiation of function in the City of London was already well

defined. The interior banking business of the country was in the hands of the new joint-stock banks and the old private banks. The exchange banks, with deposit business overseas, formed a channel through which bills drawn to finance international trade came to London. The bill brokers or discount houses bought these bills and either held them or sold them to banks which wanted bills. The merchant bankers accepted bills for their oversea clients and so enabled a further contingent to be added to the supply of sterling bills.

The issuing business of the merchant bankers was more closely related to the Stock Exchange than to the banking system, though as an organization it has always been kept separate from that of the Stock Exchange. The stock-jobbers confined themselves to their essential function of *making a market* in stocks and shares. According to the practice of the Stock Exchange, they would quote buying and selling prices and stand ready either to buy or to sell when approached by a broker on behalf of a client. It was only somewhat later that the system of 'underwriting' new issues, or guaranteeing them against insufficient subscriptions from the investing public, grew up. And then the underwriting was done by a miscellaneous assortment of City men with money (or credit) to spare, among whom stock-jobbers were not particularly prominent. Each issuing house would have its clientèle of underwriters, who would bind themselves each to take an assigned proportion of so much of a new flotation as was not successfully disposed of to the public. The underwriters were remunerated by a commission, a small percentage, which they received whether they had to take any of the flotation or not. In case of a successful issue their money was easily earned, but in consideration of these opportunities they were expected to participate in the more uncertain flotations of their patron.

The year 1857 saw another severe crisis. While the crisis of 1847 originated in England, that of 1857 originated abroad. Railway development in the United States had been financed in the first instance by foreign capital and mainly by British. But it had outstripped these resources and had come to depend

upon bank advances to make up the deficiency. Inflation resulted, and then collapse. An inflationary tendency had existed all over the world at the time. The Californian and Australian gold discoveries had started a rise of prices, and, as always tends to occur, the rise had been exaggerated by an undue expansion of credit. Very high bank rates prevailed in 1856 and 1857, and when the expansion of credit was successfully checked and reversed, there resulted a violent reaction of prices.

Panic started in America towards the end of August 1857. When the news arrived in Europe (a matter of nearly a fortnight, since the first Atlantic cable had not been laid) those centres which had given credit to America were immediately infected. In Great Britain the failures started with some big Glasgow firms. Confidence was almost immediately shaken throughout the credit structure of the country. The Bank of England directors no longer supposed, as they had in 1847, that the Bank could behave like any other bank and refuse to lend. Confident that the Government would again intervene if need be and send a crisis letter as in 1847, suspending the fiduciary limit under the Act of 1844, they lent freely, though at very high rates.

In consequence of the foreign origin of the crisis the country was exposed to specially heavy withdrawals of gold. The crisis letter was duly forthcoming on the 12th November. It required bank rate to be maintained at not less than 10 per cent. so long as there was an excess over the fiduciary limit. On this occasion an excess actually occurred. It lasted for several weeks and rose on one day to a maximum of £928,000. Parliament quickly passed an Act condoning the breach of the law.

As in 1847, the crisis was the subject of a Parliamentary inquiry. But no change in the law regulating banking or currency resulted. In fact the Bank of England had learnt much in the interval about how to regulate credit under the Act of 1844. The suspension of the law by a crisis letter seemed to have become part of the established institutions of the country. In less than ten years it was resorted to once again, though

thereafter it was avoided till the outbreak of war in 1914, an interval of forty-eight years.

One important change, however, was made in the practice of the Bank of England after 1857. The effect of the call money system evolved in the discount market had been to make the discount houses the channel for rediscounting. Formerly stringency in the money market had meant that the sellers of bills, finding no buyers through the bill brokers, had been diverted to the Bank of England. Now it was the bill brokers themselves who bought bills, and who in case of stringency became sellers to the Bank of England.

The Bank of England disliked the innovation. It regarded itself as a competitor in the market for the purchase of bills and found itself placed at a disadvantage in having to carry the burden of a big idle cash reserve when the discount houses were enabled by the rediscounting facilities afforded by the Bank itself to dispense with reserves altogether. Early in 1858 the Bank announced that it would no longer rediscount for the bill brokers at all. It would only make advances on the security of bills (like the other banks) and even these were ordinarily to be made only at the quarterly periods of dividend payment, when the market was short of cash. At any other time advances to the discount houses were to be a special concession and not a matter of course.

The crisis of 1857 was followed by a period of stagnation (a very usual experience after a crisis). But the normal cyclical movement was perturbed by the outbreak of the American Civil War in 1861. The Civil War reacted on the rest of the world in several ways. The blockade of the Southern States caused a serious dislocation of trade of which the 'cotton famine' was the most striking consequence. And the resort of both sides to inflationary finance drove gold abroad and induced a rise of prices and credit expansion in other countries.

Credit conditions became very unstable. Very high bank rates were imposed from time to time both in London and in Paris. Towards the end of 1864 (when the end of the Civil War was coming quite definitely into sight) a commercial crisis broke

out in Europe. London on that occasion experienced extreme stringency, but no panic.

English industrial and financial conditions became for a short interval detached from those of the Continent. The recent legislation facilitating the formation of companies, and in particular opening the way to limited liability (Acts of 1855, 1856, and 1862), had given a great stimulus to company promotion and so to capital outlay at home. Activity was prolonged for eighteen months or so after it had been brought to an end on the Continent by the crisis of 1864.

This divergence of economic conditions was unstable. The contagion of depression was bound to spread to England. Early in 1866 signs of unsound credit began to be visible, particularly among a new class of finance companies formed to promote railways and industrial enterprises. Panic came with catastrophic suddenness. It was precipitated by the failure on the 10th May 1866 of Overend, Gurney & Co., a firm which had gained a pre-eminent position as the greatest of discount houses, but had suffered some loss of standing and had been converted into a limited company in July 1865.

Since discount houses had adopted the practice of holding bills themselves with money borrowed at call from the banks, and since the banks regarded this call money as the first liquid resource to be relied on to supplement their cash reserves, it may readily be understood that the failure of a discount company would cause a convulsion in the credit world.

Overend, Gurney & Co. had departed from the primitive simplicity of the discount house which would hold nothing but carefully selected short-dated bills as assets against its demand liabilities. They had embarked on promotion business and encumbered themselves with doubtful shares and advances. Nor were they alone. Some other discount houses had also been imprudent, and the clear line which ought to have separated them from finance companies or investment companies had become blurred.

The demands upon the Bank of England for accommodation immediately became intense. The Bank met them boldly and

freely, and at the same time hastened to lay a statement of the situation before the Government. The immediate response was a crisis letter, which followed precedent and prescribed a bank rate of 10 per cent.

The crisis passed quickly, with a limited number of further failures, and with no actual transgression of the legal fiduciary limit. But bank rate remained at 10 per cent. For three months London seemed powerless to attract gold, though the discount rates in Paris and some other continental centres were quite low.

The explanation was partly that the trade activity in England had outlasted that on the Continent, and the purchasing power of the country was unduly expanded. Both in 1847 and in 1857 the crisis in England had been *preceded* by a period of dear money and credit restriction and was indeed a result of shrinking purchasing power. In 1866 the credit restriction had made little progress before the crisis and for the most part had to be effected after it.

If people expected the high bank rate to attract gold at once, that was because they thought that foreign money would be temporarily invested in London for the sake of the high yield. That is an effect of dear money which appears at once, whereas the deflationary effect works only gradually. But rates in London had already been higher than those on the Continent for some time, since depression had prevailed on the Continent and activity in England, and there was not much room for the attraction of further foreign money. And the suspension of the fiduciary limit had caused a shock to confidence abroad, particularly in France where it was not clearly distinguished from a suspension of gold payments or was supposed to be a preliminary to suspension. By August 1866, however, the 10 per cent. bank rate had done its work, and it was reduced by rapid stages. A prolonged depression followed of the usual cyclical type.

The crises of 1847, 1857, and 1866 played an important part in the adaptation of the financial markets of London to the international functions that they were destined to perform. The crisis of 1847 taught the Bank of England that it could not rely on the automatic mechanism of the Act of 1844, but that

it must exercise unceasing vigilance in the regulation of credit. The crises of 1857 and 1866 taught the accepting houses and the discount houses what limits were set by prudence to their activities.

The year 1871 marks the end of the period of wars and political unrest that had begun in 1848. The period from then to 1914 was the golden age of London finance. It was a period of relative peace and order in the world, and of great economic development. The improvement in communications (particularly the extended use of the telegraph) favoured the evolution of an international financial centre, and at the outset the monetary troubles of other countries added to the special advantages already enjoyed by London.

The Act of 1819 had placed Great Britain definitely on the gold standard, but for a time the country was almost alone in that respect. Far the greater part of the world was on a silver standard. France practised bimetallism and carried sufficient weight to maintain approximate stability in the ratio between gold and silver in world markets. This stability saved Great Britain from the inconveniences of fluctuating exchanges with the silver-standard countries. Even so, British gold monometallism was by no means uncompromising. Though the standard coins were exclusively of gold, the Bank of England made a regular practice of including silver bullion in its metallic reserves. Silver was actually a more convenient medium for settling international balances than gold, since gold was everywhere subject to slight variations of price. In 1832 the Bank even melted down British subsidiary coin for export, at a considerable sacrifice.

The Act of 1844 recognized the status of silver in that it permitted the Bank to hold one-fifth of its metallic reserve in silver bullion.

The general demonetization of silver between 1870 and 1900, which is described below,¹ had important repercussions upon British financial history. Up to 1870 Paris, as the principal bimetallic centre, had played a conspicuous part in international

¹ See pp. 576-7.

finance. The discount rate of the Bank of France was only second in importance to that of the Bank of England. But after that date France was encumbered with what was called a 'limping' standard. Though the free coinage of silver had been suspended, and the value of silver in the market fell far below its nominal coinage price, there remained in circulation a vast mass of silver five-franc pieces which were still unlimited legal tender. Being inconveniently clumsy for use as hand to hand currency, these coins accumulated for the most part in the reserve of the Bank of France, and the Bank always had the option of redeeming its notes in these silver tokens in place of gold.¹ Paris was not a perfectly free gold centre, and was handicapped thereby in competition with London for international business.

London thus became the unchallenged leader in the regulation of credit throughout the world.

The demonetization of silver meant a steady depreciation of silver in relation to gold. The process was retarded by the continued use of the existing silver coins in France and other countries. But the entire world demand for additional metallic currency was concentrated on gold instead of being divided between gold and silver. The fall of silver in terms of gold was attributable at least as much to a rise in the value of gold in terms of goods as to a fall in the real value of silver. There was in fact a persistent fall in the commodity price level from 1873 to 1896, broken only by cyclical rises in 1880-2 and 1889-90.

This persistent fall in the price level was closely associated with a prolonged trade depression. While it lasted, the cyclical depressions were relatively long and severe, and the revivals relatively short and slight. By 1896 the wholesale price index was more than 40 per cent. below the level of 1873.

The period opened with violent financial crises first in Germany and Austria-Hungary, then in the United States.

The cyclical depression that followed the crises of 1864 and

¹ The five-franc pieces were legal tender in the other countries of the Latin Union, Italy, Belgium, Switzerland, and Greece, but that was not enough to make them an eligible substitute for gold.

1866 had ended with revival in 1870, and revival had developed into an excessive credit expansion, particularly in Germany, where it was intensified by the payment of the French indemnity. The transition of Germany to the gold standard involved the acquisition of no less than £50 millions of gold within two years. At a time when the world's stock of monetary gold is estimated to have been £573 millions, the absorption of such a sum could not fail to cause a great disturbance. Extreme stringency supervened in the London money market, and bank rate rose to 7 per cent. in 1872. A deflationary tendency followed, and then the crisis. On this occasion England escaped without panic. In the course of the protracted depression which followed and lasted till 1879 markets were twice troubled with very severe failures. First in 1875 there came a number of big industrial failures, mainly among iron and steel concerns. The phase of cheap money and stagnation that ensued was broken in 1878 by heavy exports of gold and a rise of bank rate to 5 per cent. on the 12th August. On 2nd October a severe shock to confidence was caused by the failure of the City of Glasgow Bank. There were some of the symptoms of panic, but nothing to compare with the sensational collapse of 1866. The principal importance of the failure was in the attention it drew to the dangers of unlimited liability. The deficiency to be met was so great in proportion to the capital of the Bank that the calls on every £100 of share capital amounted to no less than £2,750. As those shareholders who had placed a large proportion of their resources in the Bank succumbed and were ruined, the pressure on the few who remained solvent became greater and greater. This relentless process filled bank shareholders with consternation (for few of the joint-stock banks, other than the exchange banks, had adopted limited liability), and, in the following year, 1879, an Act was passed to facilitate the conversion of existing banks into limited liability companies. (The condition of unlimited liability for note issues was maintained.)

It is noteworthy that the recession of trade which began after 1873 and lasted till 1879, though the fall of prices was some 25 per cent., and the depression correspondingly severe,

and though crises broke out both at home and abroad, at no time required or even threatened to require a suspension of the fiduciary limit. The Bank of England had learnt to regulate credit more effectively, and in particular kept the reserve in the Banking Department at a higher level.

The partial exclusion of the discount houses from the rediscounting system was modified after 1878. In 1878 the Bank adopted the practice of lending to its own customers and discounting for them at market rates instead of insisting on its own 'bank rate'. Bank rate became the rate applied only to a temporary overflow of bills from the discount market. That placed the Bank on more equal terms with competitors in the ordinary business of the money market, and it was decided to allow advances more freely to the discount houses. After some vacillation, full facilities, both discounts and advances, were made available to them in 1890.

In the period from 1873 to 1914 the structure of the London financial world remained fundamentally unaltered. The functions and practices of the Bank of England, the merchant bankers, the discount houses, and the exchange banks were nearly the same at the end of the period as at the beginning. The most important changes took place in the joint-stock banks and the private banks, which carried on the interior banking business of the country. And even among them the changes were merely the continuance of an evolution that had been in progress ever since the joint-stock banks had started. Private banks were being displaced by joint-stock banks (usually by amalgamation or absorption), branches were being multiplied, and joint-stock banks themselves were beginning to be amalgamated with one another. By 1891 the number of private banks had dwindled to 37, while the number of joint-stock banks was 106.

This process was accompanied by certain changes in the practice of banks. In the first place, as explained above, the rights of note issue steadily lapsed. But there was also another change. The old country banks had financed the interior commerce and industry of the country mainly with bills of

exchange. In a system of small unit banks liquidity of assets is of primary importance, and the private bankers of the early nineteenth century were unwilling to tie up any great proportion of their assets in advances which were not embodied in negotiable instruments capable of being realized at need in the market.

As banks increased in size and as the extension of branch banking made their transactions more subject to the law of averages, advances and overdrafts became more practicable. Traders preferred them. The seller of goods received cash instead of having to draw and discount a bill on which his banker would hold him liable till it was paid at maturity. The buyer of goods preferred the elasticity, simplicity, and secrecy of an advance, of which no one but himself and his banker had cognizance, to bills of exchange of which the amounts and maturities had to be carefully regulated to meet the convenience of his cash position. Default on a bill was a deadly sin. Delay in paying off an advance was a matter of little consequence except when the borrower's credit was doubtful. Bankers could charge a rate of interest on advances higher than the market rate of discount. The higher rate compensated them for the loss of liquidity, and their customers were quite willing to pay it.

When Bagehot wrote his *Lombard Street* in 1873, bills of exchange still predominated. By the end of the nineteenth century they had been almost entirely superseded in the interior business of the country (except in the ship-building industry).

On the other hand the bills drawn to finance international trade not only survived but grew in importance. The volume of international trade was itself growing steadily and rapidly. And the accepting system which made the bill on London available not only for British imports, but for the imports of other countries, was also growing.

The accepting system had the incidental effect of making the British pound sterling an international currency. In any case the commodity markets of the world were largely centralized in England, and dealings in terms of sterling were convenient

even when the goods dealt in were destined for sale in some other country. Moreover, banks all over the world were willing to buy and hold bills drawn on London banks or accepting houses, because the bills could readily be sold in the London discount market, and the proceeds transmitted anywhere.

London in fact was pre-eminently the centre of all the financial markets of the world. It boasted a free discount market, a free foreign exchange market, and a free bullion market. These three institutions constituted it the monetary centre or 'clearing house' of international business. The London discount market was the principal factor in the regulation of credit throughout the world. It provided rediscounting facilities for every bank that held sterling bills. Through the discount market the Bank of England, when it raised or lowered bank rate, induced a contraction or expansion of credit wherever trade was financed with bills on London. The acceptance business made London a short-term creditor of all those foreign traders on whose account bills had been accepted. Stringency in the discount market resulted in some of this indebtedness being called up.

Besides the British merchant bankers or accepting houses, and the British-owned exchange banks, foreign banks established London branches which accepted sterling bills.

London likewise played a leading part in the investment markets and the capital flotations of the world. Its pre-eminence was not quite so unrivalled as in the credit system. But Great Britain was far the greatest exporter of capital, and the London Stock Exchange had much more international business than that of any other centre.

The export of capital had received something of a set-back from the repudiation of American State debts in 1841-2. And the railway boom of 1845-7 tended for a short time to keep British capital at home. But railway development in Europe and America soon revived external investment, and the rising prices and industrial prosperity of the period from 1850 to 1873 provided a surplus of savings seeking outlets abroad. In the years 1871-3 of exceptional cyclical activity, the export of

capital averaged (according to Mr. C. K. Hobson's estimates) £73 millions. Estimates for earlier years do not exist, but there is no doubt that this average far surpassed previous records.

The depression that followed was accompanied by a rapid decline of external investment. From 1875 to 1880 it was practically zero. The trade revival of 1880-2 restarted it, and in 1886, even before the renewed depression in industry had begun to lift, the export of capital is estimated to have reached £60 millions. It continued on a considerable scale (still however not greater than in 1871-3) till 1890, when it received a severe set-back.

British external investment had long been very widespread, but from time to time some particular field would attract a disproportionate share. A feature of the years 1886-90 was a renewed attention to South America, and particularly to the development of the Argentine Republic. It is a characteristic of the trade cycle that it always tends to be exaggerated in any country which is for the time being the scene of exceptional capital development. When the trade revival of 1889-90 brought the usual accompaniment of credit stringency, it was in the Argentine that trouble broke out. A depreciating paper currency caused a loss of confidence. The London investment market became unwilling to take Argentine securities.

The issuing business for the Argentine was in the hands of Baring Brothers, a firm unsurpassed in credit and reputation among all the great merchant bankers of London. Issuing houses do not as a rule themselves participate to any great extent in their own flotations. They rely on their clientèle of underwriters. But Barings became committed to issues which, when the market became unfavourable, they could not get independently underwritten, and they had to take very large holdings themselves. The liquidity of their position became so seriously impaired that at last, early in November 1890, they had to approach the Bank of England and ask for assistance.

A panic on the grand scale imminently threatened. Barings was not only an issuing house but an accepting house, and if

their acceptances were discredited the discount market would be paralysed.

The danger was averted by judicious action on the part of the Bank of England. The Bank is in itself no more than a chartered company with a limited capital. Large as its capital is, the Bank cannot afford to assume disproportionate liabilities, and the magnitude of Messrs. Baring's commitments was such as to preclude single-handed action by the Bank. Following a precedent set by the Bank of France a year before, when the *Comptoir National d'Escompte* was in danger of failing, the Governor of the Bank of England, Mr. Lidderdale, arranged with the leading joint-stock banks and financial houses of London for a joint guarantee of Baring's liabilities. The unravelling of the affair took several years, but in the end all obligations were met, and the guarantors were freed without any loss whatever. Thomas Baring, a retired partner, brought back his great fortune to help the firm. The business was reconstituted as a private limited company with ample resources and unimpaired goodwill.

On this occasion, even more than in 1878, the worst extremities of panic were avoided. The danger was already surmounted before it was publicly known. There was no question of suspending the fiduciary limit. The Bank took the precaution of borrowing £2 millions in gold from the Bank of France, but it was superfluous. The reserve in the Banking Department was ample.

After 1890 there was a reaction in trade, and in 1893, a year marked by crises in America, Italy, and Australia, depression became severe. Periods of trade depression are regularly associated with cheap money. At such times profits are low, and especially while prices of commodities are falling the banks find difficulty in inducing traders to borrow.

Since 1873 the predominant tendency of prices to fall had accentuated this effect. The depressions had been more protracted, and the shrinkage of profits had been more pronounced. The effect had spread to the long-term rate of interest and, led by the gilt-edged market, fixed interest securities had risen to

very high prices. In 1888 the 3 per cents., which constituted far the greater part of the National Debt,¹ being subject to repayment at par, were converted to new Consols, bearing interest at $2\frac{3}{4}$ per cent. till 1903 and thereafter at $2\frac{1}{2}$.

The renewed trade depression after 1893 led to cheaper money than ever before. Bank rate was at 2 per cent. for over two years (February 1894 to September 1896). The new Consols rose to 113. The price level fell to a minimum in 1896. Meanwhile business was already beginning to improve. And this year did in fact mark the end of the long period of falling prices and trade depression that had begun with the demonetization of silver.

The development of the South African gold-mines, along with improved methods of production in other fields, was raising the output of new gold by leaps and bounds. The world's output rose from £24½ millions in 1890 to £63 millions in 1899 and £94,700,000 in 1913. The experience of the years 1850-71 was repeated, in that prices rose, credit expanded, and trade depressions became relatively short.

Trade and industry became predominantly active and profitable. With big profits came big savings, and the British export of capital reached unprecedented levels. At the outset, indeed, though trade was active and prosperous in the years 1897-1901, the export of capital was restricted by the exigencies of the South African War. But in 1907, according to Mr. Hobson's estimate, it reached £140 millions as compared with £83½ millions in 1872 and £82,600,000 in 1890, and in the years immediately preceding the outbreak of war in 1914 it reached £200 millions.

Perhaps the principal financial event of these years was the American crisis of 1907, which initiated the sharp but transitory depression of 1908-9. It also had more enduring results in that it led to a searching reform of the American Banking System. The Federal Reserve Act of 1913 introduced the central bank system into the United States and effected other

¹ The $3\frac{1}{2}$ per cents. had been converted to 3 per cents. in 1844 (also a year preceded by a period of depression).

reforms. One, which was destined to affect the position of London very materially, was the removal of the legal obstacles which had prevented the development of an acceptance business in New York.

The outbreak of war in 1914 subjected the delicate credit mechanism that had been built up in the preceding half century to a strain which it was not capable of bearing. It is a paradox that the cause of the breakdown was to be found in the creditor position of London, the very circumstance that was reputed to be the source of its strength.

London was a short-term creditor of other countries in virtue mainly of the acceptance business. The bills accepted on account of traders abroad exceeded £100 millions, and represented about one-third of all the commercial sterling bills outstanding. (The rest, being bills drawn to finance British imports, involved no *international* liabilities.)

But Great Britain was also a long-term creditor. British external investments yielded a revenue of something like £200 millions a year. To preserve equilibrium in the foreign exchange market this had to be balanced by British purchases abroad, whether of goods and services or of investments. And at the same time the annual purchases of fresh investments abroad had recently risen to such an amount as just about to balance the entire £200 millions.

So long as the volume of acceptance business remained unchanged, the liability of traders abroad in respect of maturing bills (probably exceeding £10 millions a week) was offset by new bills drawn and discounted. All that had to be met in the British balance of payments on account of the acceptance business was the charge for interest and commission.

But if anything occurred to interrupt the drawing of new bills, the full weight of the maturities would suddenly descend upon the foreign exchange market.

The crisis of 1914 originated in the Stock Exchanges of the world. The Sarajevo murders occurred on the 28th June 1914. The trouble began with a flood of sales, first in Vienna, then in Berlin and Paris, on the 18th July, and New York felt the pressure

on the 20th July. War, involving enormous borrowing operations by belligerent governments, would depreciate existing investments to a great and unknown extent. But even apart from that, traders and others, with pecuniary obligations approaching, feared that the ordinary processes of payment might be interfered with, and hastened to raise ready money by the sale of the most marketable assets they possessed.

A very great part of these obligations was due from traders abroad to financial houses in London, especially from those who had to provide the means of meeting bills drawn on London banks or accepting houses on their account. As fast as securities were sold on the Continental Bourses or in New York, the greater part of the proceeds had to be remitted to London. The foreign exchange market broke down under the strain. It became almost impossible to transmit funds to London, first from New York (28th July) and soon afterwards from any part of Europe or indeed of the whole world. The sales of the securities themselves became concentrated upon the London Stock Exchange, which gave way under overwhelming pressure and on the 31st July was closed.

People abroad with debts to pay in London were thus deprived of every resource by which they could provide the necessary cash. The accepting houses, dependent on the regular remittance of money from abroad for the punctual payment of the bills they had accepted, saw the prospect of their capital being engulfed in a week and thereafter bankruptcy. Dealing in bills became impossible.

By the 31st July the joint-stock banks were in a state of panic. Their liquid resources, bills and investments, were frozen up.

The money they had lent to the discount houses was secured on bills. Bills, even bearing the most honoured names, had all become open to suspicion. Nevertheless, the Bank of England was taking them, and the joint-stock banks proceeded to call up their money while there was yet time and drive the discount houses to the Bank of England. Bank rate was raised on Friday the 31st July from 4 per cent. to 8.

Meanwhile the panic of the bankers was showing itself in

another direction. They feared demands from the public for cash, and they refused to pay cheques with coin, insisting on paying with Bank notes, which were legal tender but were of a minimum denomination of £5. The result was a 'run' on the Bank of England for gold, prompted not by distrust but by the need of a suitable medium for payment of wages and for retail dealings, &c.

The joint-stock banks, while they clung to their gold, had to draw out more notes for day to day use. The Bank of England's reserve fell on Saturday the 1st August below £10 millions. On that day the Bank obtained a letter from the Government in the traditional form authorizing an excess on the fiduciary issue, and bank rate was raised to 10 per cent.

Emergency measures followed thick and fast. On Sunday the 2nd August a Proclamation was issued postponing for a month the maturity of all bills of exchange. Monday the 3rd August was a bank holiday, and the holiday was prolonged by Proclamation for three more days (4th, 5th, and 6th). By the time this breathing space was over, Great Britain had declared war (4th August).

The joint-stock banks imagined that their customers would be as panic-stricken as themselves and would clamour for money. *Either* they must be granted a moratorium, *or* a fresh supply of cash must be provided.

In the end they were given both. A general moratorium was proclaimed on the 6th August. Statutory power was taken for the Treasury to issue legal tender currency notes for £1 and 10s., and it was announced that they were to be issued by way of advances at bank rate (reduced on the 8th August to 5 per cent.) to any bank up to the limit of one-fifth of its deposits. Thus provision was made for direct advances to the joint-stock banks, but from the Treasury not from the Bank of England. The notes were not in form promises to pay, but the statutory duty of paying them in gold coin on demand was placed upon the Bank of England.

The banks reopened on the 7th August. The country was at war, and whereas the breakdown of the foreign exchanges

had been a very temporary emergency and the moratoria which had been declared in various foreign countries, whether allies or neutrals, could not be prolonged indefinitely, the interruption of payments from people in enemy countries was a new complication which was likely to continue for the duration of the War.

The moratorium settled nothing; it merely gave time to seek other remedies. Of these the following may be mentioned:

(1) The Courts (Emergency Powers) Act of 31st August preserved all that was really essential in the moratorium, in that it enabled the Courts to suspend recovery of a debt if the debtor was unable to pay owing to the War.

(2) The Bank of England (with a guarantee from the Treasury) first discounted pre-moratorium bills without recourse to the holders, and then (5th September 1914) undertook to advance money to enable acceptors to pay them off.

(3) The joint-stock banks agreed (31st October) not to call in the outstanding advances on Stock Exchange securities, and the Stock Exchange was enabled to reopen (4th January 1915), but only on a cash basis, and with a schedule of minimum prices.

(4) The foreign exchange position was relieved by an arrangement for the receipt of gold from the United States at Ottawa to be held there on behalf of the Bank of England, so that the exposure of the gold to war risks on the Atlantic voyage was avoided.

These measures permitted the moratorium to be withdrawn (after two renewals) in November. The crisis was successfully surmounted. The accepting houses and the discount market functioned again. The advances of the Bank of England to the accepting houses were not repayable till a year after the end of the War, and in the meantime they could take new business with a clear conscience.

But the assumption of extensive liabilities by the Bank of England had serious inflationary effects. In any case the Bank had to make advances to the Government for the initial outlays of the War. And big further additions to the floating debt in the form of Treasury Bills meant creations of bank credit by the joint-stock banks.

The pre-moratorium bills taken over by the Bank of England raised the 'other securities' to the unprecedented level of £120 millions, and private deposits, which before the crisis had varied between £40 millions and £50 millions, rose to £140 millions or more. The market was flooded with idle money.

The ordinary barriers against inflation were broken down. Internal demands for gold were avoided by the issue of currency notes. There were no external demands. A great part of the world had suspended the gold standard, and the creditor position of London was such as to attract a great inflow of gold (especially the American gold sent to Ottawa). By November 1914 the gold in the Bank of England had exceeded £70 millions, a figure never approached before. Bank rate remained at 5 per cent., but the surplus money made it ineffective. The market rate had fallen below 3 per cent., and in February 1915 it fell below 2 per cent. Inflation had already taken hold. And by the beginning of 1915 the favourable effect on the foreign exchange position of the calling up of credits from the United States and other countries was exhausted, or at any rate was offset by lavish purchases of imports largely required to supplement the national resources available for war. The exchange on New York fell in February 1915 below \$4.80. Par was $4.86\frac{1}{2}$, and the peace-time gold point was about 4.84. Under war conditions, however, gold could not be sent to America unless insured against war risks, and war risk insurance had become practically a government affair. Gold could be prevented from going by simply refusing insurance, unless the exchange fell to such a point as to tempt people to brave the risk.

But the fall in the exchange was itself a cause of anxiety at a time when big purchases in America were required for national purposes.

The first step was to correct the excessive ease in the money market. The Bank of England began tentatively to borrow funds at interest. Ever since 1844 the Bank had been accustomed from time to time to make bank rate effective by 'borrowing on Consols' (selling Consols for cash and simultaneously buying them back for the next account). It had refrained from

borrowing money at call like the discount houses, because this was not consistent with its practice of never allowing interest on deposits.

In 1915, however, it waived this objection and came into the market to borrow at interest in competition with the discount houses. By acquiring all the money offered at a fixed rate it prevented the market rate for short money from falling lower, and it lent all the funds so borrowed to the Government for the expenses of the War.

In April the Treasury adopted the plan of placing treasury bills continuously on offer at fixed rates of discount. Thus the rates on both sides of the discount market, for money and bills, were sustained. At first the rates were still low, three months treasury bills being offered at $2\frac{3}{4}$ per cent. But in August 1915, when the exchange on New York was falling heavily, the rate was raised to $4\frac{1}{2}$ per cent.

Meanwhile efforts were being made to reduce the floating debt. A war loan of £350 millions ($3\frac{1}{2}$ per cent. at 95) had been brought out in November 1914, but that fell far short of the cost of the War, which had risen to £3 millions a day. A second great war loan ($4\frac{1}{2}$ per cent. at par) appeared in June 1915, and yielded £587 millions. But that was quite insufficient to stem the flood of inflation. Commodity prices were rising and increasing the nominal cost of the War. The swollen purchasing power of the people attracted imports in excess of those required for war purposes. The American exchange fell at the end of August 1915 to \$4.50. From then till the intervention of the United States in the War in April 1917, one of the principal preoccupations of the British Government in the sphere of finance was the maintenance of the American exchange. The extreme ease in the money market had already been checked. But a much more severe stringency than the authorities could contemplate would have been needed to counteract the tendency to inflation. Bank rate was raised from 5 to 6 per cent. in July 1916 with no perceptible effect, and it was reduced to $5\frac{1}{2}$ and 5 per cent. early in 1917.

To support the exchange the Government relied on provid-

ing resources to pay for the country's imports. In the first place large sums of gold were available. The gold that had been deposited at Ottawa in 1914 was sent back, and besides there was gold displaced from circulation by the currency notes, gold from the South African mines, and gold released by France, Russia, and Italy. The American imports of gold from January 1915 to March 1917 were nearly \$1,200 millions.

Then dollar loans were raised in the United States, first \$500 millions borrowed by France and Great Britain jointly in October 1915, and then a series of British loans, amounting in all to \$800 millions, in 1916 and early 1917, as well as bank advances.

Thirdly, American securities held by British investors were collected, and either bought or borrowed by the Government, to be resold or used as collateral in the United States.

By these devices it was possible to 'peg' the exchange at \$4.76. It was below the peace-time gold point but in war was a respectable figure. In January 1917 a third great war loan (5 per cent. at 95) was issued, producing more than £900 millions of new money. Nevertheless the floating debt remained at a gigantic figure. At the end of the financial year (31st March 1917), when the proceeds of the loan had been received, it still exceeded £680 millions.

The strain of war finance had become almost unbearable. Expenditure had reached an average of £7 millions a day including £1½ millions a day lent to Allies and Dominions.

Some restriction on the purchase of supplies from the United States for carrying on the War seemed imminent, when the American declaration of war on the 6th April 1917 solved all financial problems. Thenceforward all necessary expenditure of Great Britain and her allies in the United States was met from money lent by the United States Treasury itself.

Even so the financial effort exacted from Great Britain remained colossal. After the Armistice (11th November 1918) immense sums still had to be spent, and the national debt did not reach its maximum till the end of 1919, when it exceeded £8,000 millions. The floating debt exceeded £1,400 millions

in March 1919, and a year later, in spite of the issue of loans and bonds, was still above £1,300 millions. Taxation was yielding £1,000 millions a year.

Nevertheless the principal source of anxiety was the currency. The emergency legislation of 1914 remained in force. The currency notes had taken the place of nearly all the gold coin in active circulation and amounted at the beginning of 1919 to £300 millions. They were subject to no limitation, and no reserve was required to be held against them, though the Treasury had, by administrative action, set apart a small gold reserve in 1915. They remained convertible into gold coin on demand at the Bank of England, but from the very beginning of the War it had been practically impossible to export gold except by consent of the Government because only the Government could afford to insure it against war risks. Consequently the gold standard was in abeyance, and it was possible for a premium of 30 per cent. to be quoted on Dutch currency.

In January 1918 a committee was appointed, with Lord Cunliffe, the Governor of the Bank of England, as Chairman, to make recommendations in regard to currency and foreign exchanges after the War, and its first report was presented in August 1918.

The committee called attention to the impediments in the way of the normal working of the gold standard, and recommended that after the War the conditions necessary to the maintenance of an effective gold standard should be restored without delay. The Bank of England should be under an obligation to supply gold for export in exchange for its notes. A limit should be imposed on the fiduciary issue of currency notes, and reduced from year to year. At a later stage, when the gold holding of the Bank had reached £150 millions and the exchanges had been working normally on that basis for at least a year, the currency notes should be replaced by Bank of England notes and a fixed fiduciary issue should be prescribed, similar in principle to that of the Act of 1844, and so calculated that the normal minimum gold holding should be £150 millions. The committee also recommended that there should

not be any early resumption of the internal circulation of gold coin. For this purpose the report said: 'informal action on the part of the banks may be expected to accomplish all that is required', but otherwise legislation giving the Bank the option of converting its notes into bullion instead of coin could be resorted to.

This report, issued three months before the Armistice, became in many respects the basis of subsequent legislation and administrative measures. But at the outset its most important recommendation was rejected.

The financial assistance which the country was receiving from the United States Treasury could not continue indefinitely. It was in fact brought to an end in March 1919. And thereupon the Government issued a regulation (with statutory force) prohibiting the export of gold. Thus the war-time impediments in the way of the export of gold made way for a formal suspension of the gold standard. The convertibility of currency notes into coin continued, but as the coin could neither be melted nor exported, the link between the pound and foreign gold standard currencies was effectively broken. The prohibition of export was successfully enforced and there were never any noticeable withdrawals of gold from the Bank of England for purposes of evasion.

The prohibition of the export of gold was imposed at a time when there was some reaction from the war-time rise of commodity prices. A recession of business was threatened, and people shrank from the prospect of measures of credit restriction when it was urgently necessary for the demobilized men to be absorbed into industry.

But the recession proved to be insignificant. The inflationary effect of government finance soon made itself felt. Bank rate remained at 5 per cent., but was not effective because treasury bills were on offer at $3\frac{1}{2}$ per cent. The issue of the Victory Loan and Funding Loan in June 1919 was accompanied by a suspension of the sales of treasury bills for an interval of several weeks, during which the current needs of the Government were met by money borrowed at call through the Bank

of England at 3 per cent. The price level began to rise rapidly, and industry developed a feverish activity. The pound fell to a discount, and by September the exchange on New York was \$4.18 or 14 per cent. below par.

This was at a time when a tremendous expansion was in progress in the United States. The gold standard had been re-established in the United States in June 1919, when the prohibition on the export of gold was repealed. But the countries remaining on the gold standard formed so small a proportion of the world that gold movements no longer had any great steadying effect. The United States could afford to lose a great deal of gold, and other countries could not easily absorb it.

The price level in the United States (100 in 1913), having fallen from 203 in November 1918 to 193 in February 1919, rose to 203 in June and 210 in September 1919. By May 1920 it reached its maximum of 247.

Under such conditions it was certainly unnecessary to let the pound depreciate in order to avoid a trade depression. Had it remained at par, British industry would have experienced the same degree of activity and prosperity as was found to be altogether excessive in the United States at the time. The depreciation of the pound aggravated these abnormal and unhealthy tendencies. By February 1920 the exchange on New York had fallen to \$3.38 (on one day it fell below \$3.20) and the British price index had risen to 306 (100 in 1913 and 229 in November 1918).

Steps were already being taken to stop the orgy of inflation. In November 1919 the treasury bill rate was raised from $3\frac{1}{2}$ to $4\frac{1}{2}$ and then to $5\frac{1}{2}$ per cent. Bank rate went up to 6 per cent. and was now effective. In December the Cunliffe Committee made its second (and final) report. It reiterated recommendations which it had already made for the cessation of inflationary borrowing by the Government from the Bank of England ('Ways & Means' advances), and for a limitation of the fiduciary issue of the currency notes. The inflationary borrowing it was impossible to stop for the time being. But the Government dealt with the currency note issue in a Treasury Minute

of 15th December 1919, which prescribed that the actual maximum fiduciary circulation in any year should become the permissible maximum for the following year. That was the device that the Cunliffe Committee itself had suggested. The Government would have a free hand at any time to make what progress it could towards reducing the uncovered issue of notes, but, having once taken a step forward, it would maintain whatever ground was gained.

Since further inflation was bound to lead to an increased note circulation, this measure was generally regarded as a signal that inflation was to be stopped. The Treasury Minute was no more than an administrative act with no statutory validity, but it was accepted as an expression of the Government's intentions.

The exchange on the United States improved in March and April 1920, but the rise of the price level was continuing. In April bank rate was raised to 7 per cent. and the treasury bill rate to 6½. The following month saw a distinct drop in the price level, and the exchange on New York averaged \$3.95.

But thereupon the Federal Reserve Banks raised their rediscount rates and started a reaction in the American price level which was to continue with unprecedented severity, along with the inevitable accompaniments of trade depression and unemployment, till the latter part of 1921.

British monetary policy was now concentrated on restoring the pound to gold parity and re-establishing the gold standard. It would have been easy to keep the pound at parity in 1919 when gold was depreciating in terms of wealth. It would perhaps have been wise at that time to follow the course taken by several neutral countries during the War, to suspend the free coinage of gold and the purchase of gold by the Bank of England, so that the paper pound could rise to a *premium* over gold parity. (India avoided much of the dislocation arising from the depreciation of gold by letting the rupee rise about 50 per cent. above its former gold par value.)

But in the conditions of 1920-1, when gold was rapidly appreciating, a great effort was required even *to keep pace* with

the dollar, and to prevent the discount on the pound actually rising.

The 7 per cent. bank rate was maintained in force for a year. Between April and November 1921 it was brought down gradually to 5 per cent. (still a high rate). At the same time the practice of placing treasury bills on offer at a fixed rate was abandoned in favour of the former system of inviting competitive tenders for them in the market. The regulation of credit thereby devolved once more on the Bank of England.

The feverish activity of 1919-20 had given place in a flash to depression which became more and more severe. Unemployment increased rapidly and by the end of 1921 had reached the huge total of 2 millions. Yet in August 1921 the pound was still at a greater discount than in May 1920.

From that time till the gold standard was successfully restored in 1925 the principal factor in the monetary situation was the American price level. The American price level had almost ceased to fall after June 1921. Consequently deflation in Great Britain soon began to bear fruit in a rise in the pound. By March 1922 the exchange had reached \$4.40.

In the succeeding three years the American price level fluctuated with a general tendency to rise. The British price level was kept approximately stationary. The exchange rose to \$4.70 in March 1923, and after a reaction began to recover again in the summer of 1924.

Credit was expanding and prices were rising in the United States. In England bank rate had been down to 3 per cent. It was raised to 4 in July 1923 but was not made effective. In July 1924, however, a certain amount of pressure appeared in the discount market, and the 4 per cent. rate became effective. The way was being prepared for the return of the pound to parity.

At the beginning of March 1925 bank rate was raised to 5 per cent., and on the 27th April, the exchange on New York being then little more than 1 per cent. below par, the export of gold became free once again and the restoration of the gold standard was an accomplished fact.

The export prohibition, which had been originally imposed by statutory regulation, had been continued by the Gold and Silver Export Control Act, 1920. The approaching expiration of the relevant section of that Act at the end of 1925 was one of the circumstances necessitating at any rate a reconsideration of the position. The actual procedure followed was based on the recommendations of a committee, under the Chairmanship of Lord Bradbury, which reported in February 1925.

The Gold Standard Act, 1925, which received the Royal Assent on the 13th May, embodied certain notable new departures. It established what has come to be known as a 'gold bullion standard', like Ricardo's ingot plan. The Bank of England was obliged to *sell* gold bullion in quantities of not less than 400 fine ounces, at the coinage price of £3 17s. 10½*d.* a standard ounce. But it was relieved from the obligation to convert currency notes into gold coin, and the right of any one other than the Bank of England to get gold coined at the Mint was abrogated. It is a remarkable paradox that the re-establishment of the gold standard was accompanied by the cessation both of specie payments and of the free coinage of gold, two institutions which had always been regarded as essential to a gold standard. The experimental character of these provisions was marked by the condition that they were only to remain in operation till a Royal Proclamation should otherwise direct.

As a precaution power was taken for the Treasury to borrow for the support of the gold standard, and credits amounting in all to \$300 millions were arranged for in New York partly through the Federal Reserve Bank and partly through Messrs. J. P. Morgan & Co. But as it turned out the credits were never used.

On the whole the changes that occurred in the British banking system in the interval from 1914 to 1925 were remarkably small considering the upheaval that the country had been through. The inflation and rise of prices brought an enormous increase in bank deposits, which rose from £1,000 millions in 1913 to £2,000 millions in 1925. The suspension of the gold standard, while it lasted, seriously interfered with the acceptance busi-

ness. But with the return to gold the business revived. Meanwhile, New York had become a competitor, but, so long as the gold standard had been in abeyance in almost every other country, its maintenance in America had not given New York any advantage.

The most noteworthy change in British banking was the further progress of amalgamations. Owing to the public misgiving caused by bank amalgamations, a committee was appointed in 1918 to consider the matter. The committee recommended legislation, but it was decided to be content with an informal arrangement by which banks contemplating any further amalgamations should consult an official standing committee, and to rely on the moral influence of public opinion to prevent undesirable developments.

The effect of amalgamations has been to concentrate very nearly all the interior banking business of England and Wales in the hands of five great banks (Midland, Westminster, Barclay's, Lloyd's, and National Provincial); to link some of the Scottish and Northern Irish banks with these; and to establish close relations between some of the Big Five and one or two of the banks doing business overseas.

Moreover the Big Five have been led to develop their business in various fields which they had previously left alone. For example, whereas they used only to accept bills for those doing business in Great Britain, they now do so on behalf of oversea customers. That does not mean that they are seriously encroaching on the sphere of the merchant bankers and the exchange banks, both of whom retain their own characteristic business. In fact the class of acceptance business taken by the Big Five was practically limited to that which was guaranteed by a bank in the customer's country.

The return to the gold standard had been preceded by the rise of bank rate to 5 per cent. The business situation had greatly improved since 1921, but still the tremendous depression which had started in that year had by no means been completely dispelled. The number of unemployed had not fallen below a million or about 9 per cent. of the workpeople insured,

a very high rate. A high bank rate at a time of depression and unemployment was utterly in conflict with the established practice of the nineteenth century. Cheap money was well recognized to be a necessary condition of revival, and it was the interval of cheap money from July 1922 to July 1924 that had evoked the partial revival that had occurred.

It may have been thought at the time that, as credit was expanding and business was active in the United States at the beginning of 1925, the high bank rate in London would do no harm. But this parochial view of the London discount market is quite mistaken. The return to the gold standard put London back into its position as the credit centre of the world, and the effect of credit restriction in London was felt everywhere. The rising prices and industrial activity in the United States and other countries were interrupted. Far from British industry gaining relief by sharing the activity of foreign countries, the contagion of British depression was spread to these latter.

The world price level fell. That meant that gold was once more appreciating in terms of wealth. The extent of the movement was small compared with the collapse of prices that occurred in 1920-1, but it was sufficient to make adherence to the gold standard possible only at the cost of a serious effort. In concrete terms that meant that further revival from the trade depression became impossible.

In 1927 the international credit situation brought some relief. The Federal Reserve Banks in the United States had been consistently following a policy of cheap money and credit relaxation ever since 1924. Finding that American industry was nevertheless suffering in some degree from depression and falling prices, they proceeded to reinforce this policy by more extensive purchases of securities in the open market. At the same time the French purchases of bills in London and New York, in connexion with the provisional stabilization of the franc, were tending to reduce discount rates.

In April 1927, bank rate, after having been at 5 per cent. for two years (except for an interval of four months in the latter part of 1925), was reduced to $4\frac{1}{2}$ per cent. In the period that

followed there was no revival in Great Britain. But there was a very noticeable credit expansion, accompanied by industrial activity, in the United States. The result was a big export of gold from the United States to Europe, and a portion came to London.

It may be recalled that the Cunliffe Committee had recommended that, when the exchange had been working normally for at least a year with the Bank of England's gold holding at not less than £150 millions, the currency notes should be replaced by Bank of England notes, and a fixed fiduciary issue should be prescribed calculated at such an amount as to make £150 millions the normal minimum gold holding.

The Cunliffe Committee had contemplated the restoration of the free export of gold at the end of the War and had anticipated a period of heavy losses of gold, which could only be made good over several years. The actual course of events had been different. Even in 1919 the gold in sight in the country (including £42 millions accumulated in the hands of the joint-stock banks, which was handed over to the Bank of England in 1920) exceeded £150 millions. And this stock was maintained with little alteration till 1925. With the return to gold, it began to fluctuate. It did not fall appreciably below £150 millions, but till 1927 there was no time at which gold showed any marked tendency to gravitate to London. The exchange on New York was almost always below par.

In 1928, however, the exchange rose to the gold import point, and the gold holding rose to £173 millions (September 1928). The 'normal working' of the exchanges had been accomplished, and the last stage of the measures recommended by the Cunliffe Committee was reached.

The Currency and Bank Notes Act, 1928, substituted Bank of England notes of £1 and 10s. for the currency notes. These notes, unlike those of higher denomination, were made legal tender in payments by the Bank itself, so long as the Gold Standard Act of 1925 remained in operation.

The fiduciary issue was to be £260 millions. That was arrived at by adding together the Bank of England's fiduciary

issue of £19 $\frac{3}{4}$ millions and the fiduciary issue allowed under the Treasury Minute for currency notes, which was £246 millions, and making some allowance for the approaching separation of the Irish Free State currency system. It promised a reasonable reserve in the Banking Department consistently with a normal minimum gold holding of £150 millions.

The 'emergency' provision of the Currency and Bank Notes Act, 1914, allowing the Treasury to extend 'temporarily' the fiduciary issue of the Bank of England, was still operative. The Cunliffe Committee had recommended that something of the kind should be enacted permanently. The Act of 1928 went somewhat further, giving the Treasury power to vary the fiduciary issue on application by the Bank of England, subject only to the condition that it could not be *increased* for more than two years continuously without further legislation.

This power, it was explained in Parliament, was not given only for use in emergencies, but to enable the Bank of England to meet an international situation in which either the demand for gold or the supply of it threatened to become excessive.

The Act of 1928 was hardly on the statute book before the train of events which led up to the American crisis of 1929, the subsequent unparalleled trade depression, and the financial crisis and suspension of the gold standard in 1931, had begun.

The first step was the reversal of the American policy of credit relaxation. By July 1928 the New York rediscount rate had been raised to 5 per cent., the highest since 1921. Early in 1929 the Bank of France began to dispose of its holding of foreign exchange, and to absorb gold in its place. The Bank of England, experiencing a loss of gold, raised bank rate, first to 5 $\frac{1}{2}$ per cent. (February 1929) and then to 6 $\frac{1}{2}$ (September). London, New York, and Paris were all pursuing deflationary measures. In July 1929 the great activity of American industry (which since 1927 had contributed materially to foster the orgy of speculation on the New York Stock Exchange) showed signs of recession. In October and November the stock-market speculation collapsed.

In England, though there had been no visible industrial

revival, there had been some activity on the Stock Exchange, and the exposure of the Hatry frauds in September 1929 contributed to the prevailing feeling of pessimism.

After the crash in New York there was a general reduction of bank rates, but all too slow. In similar conditions in the nineteenth century it had been the invariable practice to reduce bank rate quickly. The delay on this occasion came at a critical time, when the activity of American industry had passed its turning-point months before, and was rapidly turning into depression, and when British industry was experiencing the intensification of a depression which had been unbroken for nine years.

In the course of 1930 the discount markets of the world became involved in a condition of stagnation unparalleled even by the period of depression and cheap money in the years 1894-6. There was a headlong fall of the price level, not much less than in the post-war deflation of 1920-1, and even more deadly to industry, since it did not represent a mere reaction from an extravagant and short-lived inflation.

The British economic system was ill adapted to face this ordeal. The protracted depression it had been through had weakened its financial position. It had no such margin of profit as to allow of any considerable price concessions. It had to compete with American industry, which had on the whole enjoyed great prosperity and had been able to develop every modern improvement out of surplus profits, and with the industry of European countries which had reduced costs by a devaluation of their currencies. Exports dwindled and unemployment grew to an unparalleled extent. By February 1931 the unemployed numbered 2,700,000 or more than 20 per cent. Declining revenues and a growing expenditure on unemployment relief threatened a heavy budget deficit.

In May 1931 the financial crisis in eastern Europe broke out with the failure of the Austrian Credit-Anstalt, and in July the crisis spread to Germany. There was a complete suspension of the payment of the foreign short-term obligations of German banks and traders. There resulted an acceptance crisis not

altogether dissimilar to that of 1914, except that no doubt was felt as to the actual solvency of the English accepting houses and others affected.

From the point of view of the London market as a whole, however, the freezing up of a vast mass of what had been regarded as liquid assets in central and eastern Europe caused a great shock to confidence. A withdrawal of money from London set in on an immense scale. Gold flowed out, and in August 1931 credits were raised in New York and Paris, first £50 millions by the Bank of England, then £80 millions by the Government. The Labour Government had fallen on the 24th August, and had been replaced by a National Government representing a combination of parties. The new Government made drastic proposals for balancing the budget. But it was too late to restore confidence. On Sunday, the 20th September, it was announced that the credits had been exhausted and that the gold standard must be suspended, and on the 21st September 1931 the requisite legislation was passed relieving the Bank of England of the obligation to sell gold at the statutory price.

BANKING AND FINANCE IN EUROPE AND THE UNITED STATES, 1793-1933

By A. E. FEAVEAREY

OUR first task in this sub-section is to trace from the beginning of the nineteenth century the history of the various metallic currency units of Europe and the United States. At the commencement of the period almost all nations except Great Britain were using silver as their principal monetary standard, and even Great Britain had not as yet formally adopted the gold standard by legislation. The history of the metallic units must, therefore, be the history of the development of an international gold standard, for by the early years of the twentieth century there was scarcely a nation except China which was not using a money based upon gold. The gold standard had become almost a world-wide standard. Its widespread use was universally recognized as essential to its efficiency, and it had, indeed, undoubtedly reached a high degree of efficiency. Many authorities were a little nervous of the mountain of credit which had been built up in some countries upon meagre reserves of gold, but the extremely delicate machinery of international finance had begun to work so smoothly that few persons feared that it would really break down so long as the peace of Europe remained unbroken.

General confidence in the gold standard as the safest and most efficient system survived the War. It will be our final task to trace briefly the causes of its breakdown as an international standard in 1931.

The French bimetallic ratio

France in the very early days of the Revolution abandoned altogether its metallic standard and experienced a period of severe currency depreciation. The Caisse d'Escompte du Commerce, the history of which will be dealt with in more detail later, was performing in France some of the functions of a central bank for some years before the Revolution. In Decem-

ber 1789 the Constituent Assembly, which controlled this bank, compelled it to issue 80 million francs' worth of notes against an equal quantity of 'assignats', or assignments of land which the State had confiscated, mainly from the Church. When the transaction became known, the notes of the bank were presented for payment, and when its reserves were exhausted the Government ordered the notes to be redeemed with assignats. The bank was soon compelled to cease business, and from 1792 onwards, for four years, the Government financed itself by direct issues of assignats. Over 45,000 million francs' worth were issued before the end of 1796. They were legal tender, and serious penalties were enforced upon those who refused to accept them. All metallic money disappeared, and the value of the paper franc fell to one-thousandth part of its par value. In July 1796 the Government, by the simple announcement that henceforth people might use whatever money they pleased, restored the metallic standard. Metallic money came out from its hiding places and began to be reimported by those who had sent it abroad. The assignats became completely discredited and their value entirely disappeared.

By an edict of the 15th August 1795 the silver franc of $\frac{9}{10}$ fineness and weighing 5 grammes was made the standard unit. A gold coin weighing 10 grammes was provided for also, but no monetary denomination was given to it, and it was, in fact, never issued. In 1803, however, gold 20 franc and 40 franc pieces were issued as standard coins, of a weight which made the ratio between the metals exactly $15\frac{1}{2}$ to 1. The Mint was thrown open to the free and unlimited coinage of both metals and an effective double standard was therefore adopted. The French system introduced in 1803 is the pivot about which a great part of the monetary history of the nineteenth century revolves.

Spain

Spain in the eighteenth century had suffered severely from currency disorders. As the country was not in a sufficiently advanced condition to permit of the wide circulation of paper

money, the Government had made use of the medieval device of debased metallic money. Very large issues had been made of vellon coinage consisting of a silver alloy containing a steadily increasing amount of base metal. In 1772, however, a recoinage was carried out, and coins of both gold and silver were issued. In 1779 a seignorage was set up at the Mint of rather more than 7 per cent. upon both metals. The system did not work very satisfactorily, and towards the end of the Napoleonic Wars French gold and silver coins began to obtain a wide circulation in Spain. Ultimately they almost completely superseded the Spanish coins, few of which, owing to the seignorage, were being issued, and in 1847 Spain definitely adopted the French bimetallic system, issuing both gold and silver coins of her own design, but of the weight and fineness of the French coins.

Holland and Belgium

During the period when Holland and Belgium were united, they used a double standard with a ratio of about 15.9 to 1. Since this overvalued gold, silver gradually disappeared from circulation. The two countries were separated in 1830, and by 1839 gold had entirely superseded silver in Holland. In 1847, however, the gold was called in and a single silver standard adopted. Belgium's industrial interests had for long been closely identified with those of France, and in 1832 the Dutch coinage in Belgium was replaced by the French bimetallic system exactly as provided for by the French law of 1803. By 1848, however, opinion in Belgium was beginning to move in favour of the gold standard. At this date the French bimetallic ratio overvalued silver and the bulk of the circulation was silver. Belgium tried the experiment of minting a limited quantity of rather lighter 20 franc gold pieces, bringing the ratio nearer to the market ratio. At the same time English sovereigns were made legal tender at 25 francs 50 centimes, which overvalued them. Thus for a while, Belgium operated three different bimetallic ratios. The last of the three gave gold the highest value, and large quantities of silver coins were exported in exchange for sovereigns. Holland's abandonment of gold in the same year

flooded Belgium with 10 florin gold pieces which were still legal tender there. By 1849 the Belgian Chamber was thoroughly alarmed at the heavy gold influx, and in 1850 gold was completely demonetized.

Belgium now had a single silver standard, and soon the influx of gold into France under pressure of the Californian discoveries drove French silver into Belgium. Moreover, the lightest French silver naturally moved in the largest quantities since it did not pay for melting. Heavy Belgian silver was displaced, and by 1859 almost the whole of the coinage was in a bad condition. Belgium, indeed, had a slightly depreciated currency, and silver had ceased to be taken to the Mint. In 1861, therefore, French gold coin was made legal tender again.

Switzerland

In Switzerland, prior to 1848, there were at least twelve distinct monetary systems and the coinages and units differed so much that their circulation was wholly confined to their own Cantons. The French franc had been adopted by Geneva in 1838. In 1850 the French silver franc was adopted for the whole country, the Cantonal systems being superseded, but no provision was made for the coinage of gold. Nevertheless, French gold coins were introduced and widely used although they were not legal tender. And when, shortly afterwards, gold from the mines began to flow to France where it was overvalued by the mint rates, a plentiful supply of French gold coins became available, which the Swiss banks imported in exchange for silver. In 1860 the Government decided to accept the gold standard as an accomplished fact, 'in submission to a necessity which springs from the history of modern civilization'. The double standard, however, was not adopted, silver as a standard being abandoned by reducing the silver coins to 800 fineness.

Italy

In Italy, in 1804, Napoleon attempted to establish a single monetary system based upon the silver lira, but the attempt at unification of the coinage was as premature as the attempt

to establish a single kingdom. For over fifty years after his influence was withdrawn the various states continued to use their own separate moneys, although Sardinia, Parma, and the Cisalpine Republic had somewhat similar systems. It was not until 1862, two years after the establishment of the Italian kingdom, that provision was made for withdrawing the various separate coinages and for the substitution throughout the country of the French double standard.

Thus by 1862 Belgium, Spain, and Italy were all using the French bimetallic system with a ratio of $15\frac{1}{2}$ to 1, while Switzerland was using the gold standard branch of this system.

The German States

In the German States there existed nine distinct systems of coinage until the Empire was consolidated in 1871. At a much earlier date, however, they were linked together. In 1838 the members of the Zollverein which had been founded in 1834 agreed that while the states should retain their own separate coinages, these should all be made to bear a fixed legal relationship to a common silver unit circulating as legal-tender money throughout the Union. Where gold coins circulated they were left for the time being to take care of themselves. In 1857, however, a convention was signed at Vienna permitting the States to issue a common gold coinage bearing no fixed legal relationship to the silver coins. The price of the gold coins was alterable every six months according to the market price of gold. Thus throughout the nineteenth century down to 1871 Germany may be regarded as having had, not a double standard, but a single silver standard.

Scandinavia

In Scandinavia the commencement of the nineteenth century found Denmark and Norway united with an inconvertible paper money in use. Silver riksdalers circulated, but all accounts were kept in terms of the paper money and the coins varied in current value. In 1814 Norway was taken from Denmark and given to Sweden. Swedish currency also consisted

of inconvertible Government notes and bank-notes, though before the suspension of payment in the middle of the eighteenth century the standard had consisted of silver dalers. In 1829 Sweden made arrangements to issue two new silver coins, the riksdaler banco and the riksgald daler, which were to be exchangeable respectively for the bank-notes and the Government notes. The latter were not equally depreciated, and the two coins were made to contain $146\frac{1}{4}$ gr. and $97\frac{1}{2}$ gr. of fine silver, which gave them values about equal to the value of the paper they were to redeem. The old daler had contained about 390 gr. of silver. After some difficulties a sufficient quantity of notes was redeemed to stabilize their value, and in 1854 the old daler and the daler banco were abolished, the riksgald daler being made the standard unit.

In 1839 Denmark carried out a similar operation with her paper money. A silver riksbank daler containing about 195 gr. of silver was put into circulation, and the paper successfully brought to a par with it. Thus the Danish riksbank daler was equal to about two Swedish riksgald dalers.

The Market Ratio

The improvement of communications and the increase of international trade during the eighteenth century, as well as the growth towards the end of the century of the number of international banking houses, had done much to widen the bullion market. Sir Isaac Newton tells us in 1701 that at that period in Spain gold was on the average worth about 16 times as much as silver. But as the precious metals entered Spain from America, the ratio would vary from 14 to 1 when gold predominated in the cargoes, up to 18 to 1 when silver predominated. In India, where silver was in great demand for payments to small-scale producers whose standard of living was too low to permit of the use of gold, the ratio was no more than 9 or 10 to 1. By the period of the French Revolution, however, profitable international bullion dealings had become possible upon a much narrower margin of difference in the bullion prices. The growth of paper money, the establishment of

bullion reserves, the extension of the foreign exchange market, and, perhaps most important of all, the abolition in 1785 of the mint seignorage in France, gave a great encouragement to bullion dealings. Immediately after Waterloo an undervaluation of gold at the English Mint by less than four per cent. was sufficient to set up a drain of bullion to France.

The growing trade with the east during the eighteenth century increased the value of silver and lowered the ratio in Europe to less than 15 to 1. All Mint charges had been abolished in England in the reign of Charles II (1666) and from 1717 onwards the English Mint worked on a ratio of about $15\frac{1}{4}$ to 1. England, therefore, during most of the century steadily absorbed gold. This prevented the relative value of gold from falling so low as it would otherwise have fallen, and when, in 1795, after the assignat débâcle, large quantities of gold returned to France, the ratio rose to more than $15\frac{1}{2}$ to 1. England, in 1798, threatened with a return of silver to the currency, closed the Mint to the coinage of that metal, and has never re-opened it.

The disturbances of the Napoleonic Wars intervened. At their termination the market ratio between the precious metals in France and the neighbouring countries was definitely above $15\frac{1}{2}$ to 1, and sometimes rose to slightly above 16 to 1. France therefore steadily absorbed silver, since her $15\frac{1}{2}$ to 1 mint ratio overvalued that metal. In the second quarter of the nineteenth century, silver to the value of approximately £100 millions sterling went through that country's Mint.

The gold discoveries in Australia and California began to affect the market ratio in 1851. From that date until 1866 it was below $15\frac{1}{2}$ to 1, though never less than 15 to 1. Silver now, therefore, flowed away from France while gold flowed inwards. In fourteen years about £135 millions worth of gold was absorbed, which was more than one-third of all the world's output in the period. On the other hand, nearly £70 millions worth of silver went into circulation in other countries, chiefly Germany.

Silver ceased to appreciate in terms of gold in 1859. The

reason seems to have been that the absorption of gold and the displacement of silver in bimetallic countries had its natural effect, for the production of gold had not diminished and the production of silver did not greatly increase until some years later. In 1866 the market ratio returned to a par with the French mint ratio of $15\frac{1}{2}$ to 1. Had it not done so, France would have been carried, in fact if not in principle, on to the gold standard, as was England in the eighteenth century, for silver coins were becoming scarce. Sentiment in favour of the gold standard was gaining ground in Europe. Austria, at the Vienna Convention of 1857, had advocated a gold standard for the German Union. By 1865 Italy, Switzerland, and Belgium were definitely in favour of gold. England's remarkable economic progress with her money based upon gold was perhaps the chief reason, though it would be difficult to show that the gold standard really was of much assistance to England, and that progress would not have been as great with a double standard.

Establishment of the Latin Union

In 1860 Switzerland, as we have seen, had made an advance towards the gold standard by reducing all her silver coins to 800 fineness. In 1862 Italy reduced her smaller silver coins to 835 fineness, and in 1864 France followed suit. Belgium was steadily losing her silver, but instead of taking individual action suggested that the four nations should follow a common policy and, indeed, definitely adopt a common monetary standard. Out of this suggestion there developed in 1865 the Latin Monetary Union.

The views of those who supported the Union were not by any means in agreement. The majority of people in countries other than France would have liked to see the Union adopt the single gold standard at the outset, and they were supported by a considerable body of opinion in France. On the other hand, the bimetallics throughout Europe were strong. They were able to point out with great plausibility the steadying influence upon the value of money which France's bimetallic system had had in the past forty years. The gold discoveries had

multiplied the annual output of gold by ten, and had added immensely to the world's supply, yet the resultant general rise of prices was no more than about 25 per cent. It was true there had been a concomitant expansion of production and trade of considerable dimensions, which had added to the demand for money and had therefore tended to maintain its value. But the fact that the market ratio between the metals had been so remarkably steady, varying during the period 1825-65 between the limits of about $15\frac{1}{4}$ and $16\frac{1}{4}$ to 1, in spite of the vast increase in the supply of gold, suggested that the bimetallic system had been the predominant influence. The desire to establish in Europe a uniform decimal currency, therefore, prompted the advocates of the gold standard to accept at the outset the existing bimetallic regulations.

The Treaty, which came into force in August 1866, was signed by France, Belgium, Switzerland, and Italy. Greece joined in 1868, while Spain, Roumania, Finland, and several South and Central American States later adopted the same system without actually signing a treaty. The standard was a free and unlimited coinage of silver 5 franc pieces, 900 fine, weighing 25 grammes, with smaller coins in proportion, and of gold pieces at a ratio of exactly $15\frac{1}{2}$ to 1. The coins of each country were made legal tender in all the other countries.

The Union received an unpleasant shock almost immediately. The Kingdom of Italy had had serious budget deficits from the outset and had resorted to heavy borrowing. By 1866 its metallic reserves were so badly depleted that the banks were compelled to suspend payment, and there commenced a period of inconvertible paper money which lasted until 1884.

International Conference of 1867

A great deal of discussion of monetary theory was in progress in Europe at this period. The formation of the Latin Union resulted in the calling together in 1867 of an International Monetary Conference at Paris, at which the United States, Great Britain, Holland, the Scandinavian countries, Turkey, and all the members of the Latin Union were represented.

The Conference proved to be strongly in favour of the gold standard, even France being now prepared to accept it. Attempts were made to persuade all the other nations to link up with the Union, making such alterations in their coinages as might be necessary. An inquiry into the question was held subsequently in Great Britain, and although only minor changes in the English coinage would have been necessary both to link it with the franc and to make it a decimal system, the Royal Commission reported against it. But for the outbreak of the Franco-Prussian War it seems likely that the Latin Union would have adopted a gold standard almost at once and, had England joined, there would have been a really good prospect of the unification of European money.

The United States

At this point the monetary system of the United States begins to be important from the European viewpoint. In the eighteenth century the different American Colonies had used a variety of coinages, the most common being the Spanish silver coins known as dollars or pieces of eight, which had been driven from Spain and its South American Colonies by the depreciated vellon money of that country. Pounds, shillings, and pence were used as the money of account, but the pound was not equal to the English pound, having depreciated by the year 1750, owing to excessive issues of paper money, to the extent of exactly one-third of its value in terms of English money. In that year the Spanish dollar was worth 6s., the English gold guinea 28s., and the English silver 5s. piece 6s. 8d. of American money of account. During the War of Independence the dollar was adopted as the unit of account, the gold and silver coins of all kinds in use being rated in dollars upon a tariff which fixed the ratio of gold to silver at 15·2 to 1, or slightly below the English ratio.

In 1791, while Alexander Hamilton was at the Treasury, the first Federal Mint was established, and in the following year the first Federal coinage was issued. The system was bimetallic, with a ratio of exactly 15 to 1, the silver dollar con-

taining $371\frac{1}{4}$ gr. of pure silver and the gold eagle of 10 dollars, $247\frac{1}{2}$ gr. of fine gold. Both coins were minted free of charge and were made legal tender. Hamilton is credited with a leaning towards the gold standard and it therefore seems strange that a system should have been adopted which overvalued silver and which was bound to place the country in a very short time upon a single silver standard.

The inevitable happened. After a period of depreciated paper during the Napoleonic Wars the metallic standard was restored, but silver entirely displaced gold. Even the American silver dollars did not circulate, for Spanish dollars were still legal tender, and being worn and of somewhat lighter weight than the American dollars it paid to export the latter in exchange for the foreign coins. Down to 1834 the metallic currency consisted of French, Spanish, and other foreign coins, which were legal tender in the United States at tariff rates which overvalued them.

There was considerable discussion of possible reforms, and with the discovery of gold in North Carolina a movement commenced in favour of bringing gold back into use. This culminated in 1834 in the sudden raising of the ratio to a trifle above 16 to 1, the weight of the eagle being reduced so that it contained 232 gr. of fine gold. Apart from a small alteration in 1837 of the fineness of the metals used at the Mint bringing them both to 900 fine, which reduced the ratio to a fraction less than 16 to 1, no change was made in the composition of the principal American coins until 1933, but the standard passed through many vicissitudes. The immediate effect of the 1834 measure was the steady displacement of silver by gold, a movement which was greatly accelerated by the Californian gold discoveries of 1848. By 1850 the country was definitely upon a single gold standard and all the silver dollars had disappeared. In 1853 the Government accepted the position and provision was made for silver token coins of the smaller denominations, reduced in weight, and limited as legal tender to amounts up to \$5.

With the American Civil War, however, there commenced

a long period of inconvertible paper, during which the metallic standard was suspended. The War was largely financed by heavy issues of legal tender Treasury notes known as 'greenbacks', and the price of gold rose at one time to 185 per cent. above the mint price. Some deflationary efforts were made after the War, but there was considerable opposition owing to the distress which accompanied the fall of prices. The value of the notes returned to the gold par only as the country 'grew up' to its expanded currency, and specie payments were not resumed until 1879. Thus, although the United States was really the first country of importance to join Great Britain on the gold standard, it did not, in the first instance, remain there for very long, and by the time it returned to gold, in 1879, the world situation had completely changed.

The Fall of Silver

The value of silver in terms of gold fell slightly below its value at the mints of the Latin Union in 1867, and from that date there was a definite movement of silver towards those mints. The cause of this first slight depreciation of silver was probably the strong body of opinion in favour of the gold standard at the International Monetary Conference of 1867, and the fact that Germany and Holland both began in that year to accumulate gold. In 1868 commercial interests in many parts of Germany recommended the adoption of the gold standard, though Berlin was opposed to it. For the next four years, during which the Franco-Prussian War was fought and the German Empire founded, the value of silver continued below the French valuation, though the depreciation remained slight. When the issue of the new imperial coinage was considered in the Reichstag in 1871, it was suggested at first that the silver standard should be continued, but the proposal met with such overwhelming opposition amongst the trading community that before the end of the year the Government gave way and a law was passed for the establishment of the gold standard. The existing silver standard coins were redeemed with gold at the French ratio of $15\frac{1}{2}$ to 1 and new silver tokens

issued. The gold 10 mark piece contained 3.58 grammes of gold.

This measure naturally tended to lower still further the value of silver. By 1873 the market ratio was 15.9 to 1. Silver poured into the Latin countries. In that year the United States, still using inconvertible 'greenbacks', began to consider measures for restoring the metallic standard. Although the gold standard had been accepted in that country as an accomplished fact in 1853, the Mint had never been closed to the free coinage of silver dollars. This measure was now taken, but since the currency was still depreciated and the United States would not have absorbed silver in any case, it cannot be regarded as a contributory cause of the depreciation of that metal. In the same year, however, news began to spread of the discovery of large deposits of silver in Nevada. Holland, which had a single silver standard and which had begun to absorb silver, immediately closed her Mint to the coinage of silver, and for about two years had no metallic standard at all, the florin suffering temporary depreciation in terms of other currencies. In 1873 also, Belgium suspended the coinage of silver 5 franc pieces, while France limited the number which might be coined. Early in 1874 a conference of the members of the Latin Union agreed to place a limit upon the number of 5 franc pieces issued in that year, although Switzerland refused to coin any, and to meet each year to consider the position. The coinage of these pieces was limited again in 1875; but in 1876 France completely suspended it, and in 1877 the other members followed suit. From that period silver coins were issued by the Latin countries only as required to meet the demands of trade. The value of the silver they contained continued to fall, and so, without change of weight, they became virtually token coins, depending for their monetary value upon their exchangeability at the legal rate for the standard gold coins. They were said to be a 'limping' standard, the real double standard, with the closing of the mints to silver, having been supplanted in the Latin countries by a single gold standard.

In September 1872 representatives of the three Scandinavian

countries met at a monetary conference in Copenhagen. Impressed by the strong movement of opinion throughout Europe in favour of the gold standard and by the example of the new German Empire, they decided to change from silver to gold. The mints were closed to the coinage of silver and opened to the unlimited coinage of a new gold money based upon a unit of 6.22 gr. of gold called a crown. The gold coins were made fully legal tender, those of each country being allowed to circulate in the others. In 1875 Holland opened her Mint to the coinage of gold 10 florin pieces containing 93.3 gr. of gold and, since the Mint continued to be closed to silver, this virtually meant the adoption of the gold standard with a 'limping' silver standard.

Thus by the year 1878 Great Britain, Germany, France, Belgium, Switzerland, Spain, Holland, and Scandinavia were actually using a single gold standard. Italy and Greece had inconvertible paper currencies but, being members of the Latin Union, were expected to adopt the gold standard with a 'limping' silver coinage as soon as their financial position permitted.

The United States and Silver

The gold-mines of the world, however, in spite of the comparatively recent discoveries in Australia and California, were unable to provide the new converts to the gold standard with a sufficiency of gold to support commodity prices at their existing level. A steady fall set in from 1873 onwards. The new supplies of silver from Nevada, being no longer acceptable in the European mints, could find a market only in eastern countries, and the value of silver in terms of gold and of gold currencies began to fall heavily. In the United States a tight control of credit and of the note issue was being maintained in order to ensure that the movement of the value of the dollar towards par should continue. In 1873 falling prices caused a panic followed by severe depression, and within two years doubts began to be cast upon the wisdom of endeavouring to return to a single gold standard. The silver interests were seriously perturbed at the fall in the price of silver and at the

fact that their commodity was now shut out of all the European mints as well as that of the United States. In 1875 a commission was set up to inquire into the question of the monetary standard and a majority recommended the restoration of the old double standard with a ratio of slightly under 16 to 1. Congress became strongly in favour of bimetallism. The Government, however, realising the impossibility of maintaining a double standard in one country alone, managed to resist all attempts to introduce legislation, and an Act was passed in 1875 providing for a return to the gold standard on the 1st January 1879. President Hayes was compelled, however, to accept in 1878 the Bland-Allison Act, which required the Government to purchase every month at market price not less than 2 million, nor more than 4 million, dollars' worth of silver and coin it into silver dollars of the old weight and fineness, which were to be fully legal tender. The Government never purchased more than the minimum quantity, but between 1878 and 1890 this yielded an average of about $2\frac{1}{2}$ million silver dollars a month. Its effect upon the price of silver was transitory and the silver interests were by no means satisfied. In 1890 they secured the passage of the Sherman Act, which required the Treasury to purchase each month $4\frac{1}{2}$ million ounces of silver, paying for it with legal tender notes, which were to be redeemable in either gold or silver coin. The silver was held in reserve as bullion, the purchases by the year 1893 amounting to over 168 million ounces.

Further conferences in Europe

Meanwhile in Europe bimetallists succeeded on several occasions in reopening the currency question. A conference called in Paris in 1878 by the Latin Union failed to reach any decision, and another in 1881, which was attended by India and Canada as well as by practically all European countries, also failed. A congress of bimetallists at Cologne in the following year recommended England and Germany to become bimetallic and thus enable the Latin Union to re-establish the system upon a broader basis. Great Britain, at this period, however,

was not disposed to change her monetary system at the behest of continental currency theorists, although many far-seeing English economists were inclined to believe that in her own interests it might in the long run be advisable to do so. The position of India's currency, which was still based upon silver and was experiencing a serious fall of value, provided a strong reason why Great Britain should wish to see some action taken to support the value of silver. But with the exception of the period of inconvertible paper during the Napoleonic Wars, her domestic currency unit had been based upon a single gold standard since the early part of the eighteenth century. No country in the world had gone for so long a period without changing the mint price of its standard metal, and that mint price had acquired a sacredness in the minds of practical financiers which raised feelings of horror at any suggestion that it should be tampered with and at the mere thought of currency experiments. Great Britain's advance to wealth and prosperity upon the gold standard was a shining example to the whole world. Germany was determined to follow her lead. Even in other countries the fall of prices, which amounted to about 40 per cent. between 1873 and 1895, was too gradual and came to an end too soon to convince the majority of people that a relative shortage of gold was the cause.

In 1886 a Royal Commission in Great Britain inquired into the causes of the fall of prices and of the change in the ratio between the values of gold and of silver. They considered favourably the introduction of a bimetallic system simultaneously in the principal countries if agreement between those countries could be reached, but they were unable to produce a unanimous report. At an international conference at Brussels in 1893 the United States was the only country which supported bimetallism.

The adoption of Gold

Meanwhile a complete change had been wrought in the situation by the discovery of the South African gold. In 1893 the first great flood of gold from that quarter reached Europe.

Within two years the London money-market was glutted with funds, and discount rates fell to less than $\frac{1}{2}$ per cent. The fall of prices, which sooner or later must have compelled the world to face the problem whether the international gold standard which had so recently come into being was workable, ceased, and the value of money began to fall. The Brussels Conference ended in February 1893, having achieved nothing. The British Government, who had watched anxiously the steady depreciation of the rupee, awaited the outcome of the Conference and then, in June, closed the Indian Mint to the coinage of silver and, in 1900, linked the value of the rupee to that of the pound by means of the gold exchange standard. The United States, where silver had been piling up in the Treasury and notes going into circulation against it, found itself the victim of widespread fears lest a silver standard should be adopted. Gold was leaving the country in large quantities. Congress, therefore, in November 1893 repealed, in the teeth of the silver interests, the silver-purchase clauses of the Sherman Act.

So ended the hopes of the international bimetallists. With plentiful supplies of gold and rising prices the question ceased to have any life in it, and while these conditions lasted (and they continued until 1914) mankind was not, as William Jennings Bryan prophesied at the American presidential election of 1896, 'crucified upon a cross of gold'. Italy joined the other members of the Latin Union upon the gold standard in 1884 and the Union continued in being until it was broken up by the mass of paper money issued during the War of 1914-19. It was the most promising example of international monetary co-operation that has ever existed, and had it been able to carry with it Great Britain, Germany, and the United States on to the double standard, there might have been an end to some of the most serious of the world's financial problems for many generations, and who can say what other essays in international co-operation might not have sprung therefrom?

At this point it will be convenient to return to the commencement of the nineteenth century and trace thus far the development of banking and credit currency.

Banking in France

The memory of the financial disasters which fell upon the French people as a result of the credit schemes of John Law hampered for more than half a century subsequent attempts to found a joint-stock bank in France. Turgot, the progressive Minister of Louis XVI and ardent student of theoretical economics, founded the Caisse d'Escompte du Commerce in 1776, somewhat after the model of the early Bank of England. It issued notes in the discount of bills of exchange and in making loans to its customers, and it also made a substantial loan to the state. Like the Bank of England it was severely pressed by the Government for additional loans, and during the crisis of 1783, which affected practically all the commercial centres of Europe, its reserve was carried away in a run which was made upon it, and it suspended payment. There is a curious parallel between its history at this period and that of the Bank of England in 1797. An inquiry was held into its position, its assets were found to be more than adequate to meet its liabilities, and it shortly afterwards resumed payment. The bank, however, was wound up by the National Convention in 1793, the issue of assignats taking the place of its notes. Thus the eighteenth century ended with many small financial houses in existence in all the chief commercial cities of France, discounting bills and making loans from such limited funds as they could command, but with no central banking institution to link them together and provide some measure of control of credit.

The origin of the Bank of France was quite different from that of the Bank of England. The latter arose out of the need of King William III for money, which prompted him to grant the exclusive privilege of joint-stock banking to a corporation of wealthy speculators in return for a substantial loan. The Bank of France was founded by Napoleon and his friends who, in company with the French Treasury, went into banking with the definite purpose of providing France, not perhaps with a central bank as the term is understood to-day, for although the Bank of England had already begun to perform many of the

functions now regarded as proper to a central bank, only a few people realized at the time what they were, but at any rate with a bank whose prestige and influence as a bank of issue should be equal in France to that of the Bank of England in England.

Upon the return to the metallic standard in 1796 and the disappearance of the assignats, three or four new joint-stock banks were founded and commenced to issue notes or circulating bills of various kinds to fill the void. Confidence had returned and gold had flowed back to France in immense quantities, so that there was a broad basis for a fresh expansion of credit. A new monetary era was inaugurated in which the currency on the whole was well managed. The double metallic standard was maintained throughout the Napoleonic Wars.

Almost as soon as Napoleon had become First Consul a decree was issued founding the Bank of France. Early in 1800 the Bank commenced business with a nominal capital of 30 million francs of which the First Consul and his relatives subscribed a small portion and the Treasury one-sixth, and which was completed, though with some hesitation, by the general public. The Bank took its place alongside the other joint-stock banks, holding at first no special position, but competing with them in the discounting of bills and the issue of notes. At a very early stage, however, one of its competitors amalgamated with it, and in 1803 a law was passed giving it the sole right of note issue in Paris, and providing that no fresh bank of issue should be founded elsewhere without the consent of the Government.

The Bank passed through a crisis just after the breakdown of the Peace of Amiens owing to a common trouble of central banks—the excessive demands of the State for loans. It issued such large quantities of notes to the Government in loans for war purposes that the notes temporarily went to a discount. After Austerlitz, in 1805, confidence was partially restored, but Napoleon decided to strengthen the Bank's position and bind it more closely to the State. The capital was increased in 1806 to 90 million francs and a law was passed providing that the

Governor and two other members of the managing committee should be appointed by the Government. The Bank was given the exclusive privilege of note issue in any town in which it cared to establish a branch.

There was a reaction, however, when the monarchy was restored. An attack was made at once upon the Bank's monopoly, and at one moment it looked as though it would again become independent of State control. But in the end the only change made was the abolition of the provincial monopoly. Banks of issue were founded in the chief cities of several departments and their notes soon began to drive out in their particular districts the notes of the central bank. During the next twenty years the number and influence of these departmental banks increased. They were founded under decrees of the governing authorities of the departments and had the exclusive right of note issue in their area, except where the Bank of France had a branch. One disadvantage, as with the English private banks, was that the notes had only a local currency and did not provide a cross-country means of payment.

The account system of banking by means of cheques or drafts was a very late development in France. In England it was used by the earliest private bankers, and when the latter found themselves unable to compete with the Bank of England in the issue of notes they were quite easily able to continue as bankers by using the alternative method. In France, however, the only financial institutions apart from the Bank of France and the departmental banks in the early part of the nineteenth century, were bill-brokers and discount houses, who obtained their funds largely by rediscounting with, or borrowing from, the banks. As in England before the establishment of branch banking, inland bills of exchange provided an important means of making payments between distant places, and since they passed through many hands, the solvency of the discount houses was a matter of general interest.

There was a financial crisis peculiar to France in 1830 and another extending throughout Europe in 1847-8. On both occasions many discount houses failed, and the Government

found it necessary to come to the rescue of the commercial community by establishing semi-state discount offices in several areas. The British Government had taken similar action in 1793 and again in 1811.

Thus, two of the chief problems which exercised the minds of currency theorists in England in the first half of the century were present in France: firstly, should there be a monopoly control of the note issue, and secondly, how could the public best be protected against the instability of small financial houses—the private banks in England, the discount houses in France. The chief difference between the two countries was that the local note issues in France were not in the hands of small irresponsible institutions as in England, but of the departmental banks. The chief objection against the system was that it did not provide a currency used and accepted in all parts of the country.

Centralization of the note issue was practically secured in England by the Act of 1844, and the small banks were dealt with by permitting the establishment of joint-stock banks whose superior competitive power would ultimately drive the former out of existence. In France the crisis of 1847 followed by the Revolution of 1848 caused a suspension of payment by both the Bank of France and the departmental banks. The currency controversies which had culminated in England in the Act of 1844 had spread to France, and the new French Government decided in the spring of 1848 to follow the English example and bring the note issue under one single control. The departmental banks were amalgamated with the Bank of France, which took over the liability for their outstanding notes, and gradually replaced them with its own. The English system of a fixed fiduciary issue, however, was not adopted. In France the Government fixed a maximum total issue of 525 million francs and left the Bank of France to manage the issue as it pleased within this limit and follow whatever reserve policy it considered best.

The Bank resumed cash payments in 1850 when even the maximum limit upon the note circulation was abolished and

the latter was left entirely uncontrolled by law. It increased threefold during the next twenty years. Upon the outbreak of war with Prussia in 1870 considerable sums were borrowed from the Bank, and at once a further large increase in the note issue occurred. A maximum limit, however, was again imposed when cash payments were suspended, the figure being placed first at 1,800 million francs, and then raised almost immediately to 2,400 million francs. There was very little depreciation of the paper, however, at any time during this war.

The treaty of peace in 1871 required France to pay an indemnity of 5,000 million francs spread over three years, and a German army was to be in occupation until the final payment was made. The latter provision caused much haste on the part of France to complete the payments. About 1,500 million francs was paid in 1871, which sum was borrowed from the Bank of France. The actual payment was made chiefly in bills of exchange upon London and other centres. The maximum note circulation was increased to 3,200 million francs in 1872, but the increase largely went to replace gold and silver in circulation and hoarded. The French people paid over immense sums in coin when making subscriptions to the national loans which were issued to meet the indemnity.

Subscriptions to these loans came in so rapidly that it was possible to pay the balance of the indemnity by the middle of 1873, and by 1877 to repay most of the loan made by the Bank of France, which at once resumed cash payments. The payments to Germany were made to the extent of about 560 million francs in gold and silver and the balance in bills of exchange. The transaction placed a heavy strain upon the exchanges between Paris, London, and Berlin. But the burden was greatly lightened, and indeed payment was only made possible at all by the heavy sales of foreign securities upon the Paris Bourse by French people realizing funds to invest in the National loans. These securities were snapped up at bargain prices by foreigners, who thus provided a great part of the funds to meet the indemnity. In the end, therefore, the payment was met largely by the realization of foreign investments. The bullion reserve of the

Bank of France fell to a low level for a while in 1871, but the gold and silver subscribed for the loans sent it up again, and by 1876 it had reached the record figure of over 1,500 million francs. The peasants and small tradespeople had exchanged their bullion hoards to some extent for notes, but to a large extent for holdings of national securities.

The Bank of France has never adopted the position which, since about 1870, has been held by the Bank of England—that of a controlling central bank standing aloof from the open money-market. Having branches in all parts of France, it has carried on ordinary banking business, being ready to keep the accounts of the smallest tradesmen. Its rate of discount has never been used in the same way as the English bank rate; for instead of being a rate charged mainly to financial houses who are driven by shortage of money in the open market to obtain funds from the Bank, it is a rate charged to the Bank's commercial customers in all parts of France. The rate fluctuates within comparatively narrow limits, seldom rising above 4 per cent., and is changed very infrequently. To avoid having to raise it to a high level to protect its reserve, the Bank has always maintained a very large reserve. From the commencement of the twentieth century until 1914, its metallic reserve never fell below 3,000 million francs, which was about four times as large as that usually held by the Bank of England and generally equal to at least 75 per cent. of the note issue. The maximum issue was raised from time to time until it reached 6,800 million francs in 1911, but the gold reserve was always made to keep pace with it. An increase of the reserve in the ordinary course of trade was seldom allowed to have its full natural effect upon the currency in circulation. Indeed, for a considerable part of the period between 1877, when France definitely adopted gold alone as the basis of her currency, and 1914, she may be regarded as having had a 'managed' standard, linked only over the long period with gold. This involved keeping large quantities of gold virtually sterilized for long periods. In 1928 the plan of fixing a maximum note circulation was abandoned and the Bank was required to keep

a reserve equal to 35 per cent. of its notes and current account balances together, but this did not affect the Bank's policy and it began immediately to accumulate a reserve far in excess of the legal percentage.

German banking

Turning from France to Germany, we find that at the opening of the nineteenth century banking and the credit system were in a much more backward condition in the latter country than in the former, due probably to the generally lower economic position of the German States. It is true that the Bank which ultimately became the central bank of the German Reich was already well established, but it stood almost alone. The Bank of France was established by Napoleon in 1800, the Bank of Prussia by Frederick the Great in 1765. But while the former had a considerable measure of independence, discounted bills by the issue of notes and with money obtained from ordinary customers on deposit, and encountered formidable competition at the outset from several rival institutions, the latter was from the first definitely a state bank, entirely controlled by the Government, who owned the whole of the capital. It established at an early period a substantial discount business, but the bulk of its funds came from deposits made by various departments of state.

The history of the modern German credit system can scarcely be said to begin until after the Napoleonic Wars. The great industrial and commercial expansion which occurred in the second quarter of the century was accompanied by the foundation of banks in most of the states and many of the larger cities somewhat after the model of the departmental banks in France. Most of them were established under charters or laws granted or passed by the governing bodies of the states or cities in which they were set up. In some cases the charter was for a limited period, and in most cases it granted a monopoly of note issue under various restrictions, though often the restrictions were by no means adequate to prevent over-issue. Most of the capital was obtained by public subscription. Sometimes the State or

Municipality subscribed a part and sometimes, on the other hand, it granted the charter only in return for a loan. Between 1821 and 1871 thirty-three such banks were established.

In Prussia itself the beginnings of competition with the Bank of Prussia began to show themselves at an early date when the Bank of Pomerania was established at Stettin in 1821. Others were in prospect when, in 1846, it was decided to enlarge the original capital of the Bank of Prussia from 1 million thalers, by adding thereto a further 10 million thalers obtained by public subscription. The new shareholders were given a small representation upon the governing body, but control was still kept completely in the hands of the Government. The Bank, however, was now able to operate in a much wider sphere. Its note issue was at first limited to 21 million thalers, but this restriction was abolished in 1856 and from that date there was a rapid increase. The Bank opened branches throughout Prussia, and they numbered 167 by 1875. Its chief business was the discounting of bills of exchange of all kinds by the issue of notes, the circulation of which by 1874 had reached over 800 million marks, or about two-thirds of the whole note circulation of the German States, including that of the thirty-three local banks. Though under no legal obligation to do so, the Bank usually kept a bullion reserve equal to about one-third of its liabilities. The operations of the other banks were similar in kind to those of the Bank of Prussia. Loans upon securities and even upon mortgages were made, but these were a small part of the total business, which consisted chiefly in discounting. The use of deposit accounts and of cheques was very limited. The public used mainly notes, of which the Bank of Prussia, strictly controlled by the Prussian Government, issued the greater part.

The same difficulty arose in Germany as in France and England, and also indeed in the United States and other countries, from the many different note circulations inadequately linked together by clearing-house arrangements between the banks issuing them. The note issues of some of the State banks were badly regulated. At periods of crisis they

were left upon the hands of people in other areas, who could persuade no one to accept them, and where the notes were of small denomination the evil bore heavily upon the poorer people. Between 1855 and 1857 Prussia, Saxony, and other States forbade the circulation within their territory of any notes except those of certain approved issues and made a special set against notes of small denomination. But the lack of a national system of credit currency still continued to cause grave inconvenience, which was enhanced by the fact that besides the banks most of the State governments had commenced to issue notes.

The unification of the German currency system after the foundation of the Empire was followed by measures dealing with the banking and credit system. Bank notes of less than 100 marks were forbidden in 1873—a measure which brought Germany into line with England, where notes of less than £5 had been abolished in 1826. In 1874 all State note issues were redeemed with funds borrowed upon an issue of imperial treasury bonds. In 1875 the Reichsbank was founded and a measure passed which virtually provided that it should ultimately become the sole issuer of notes in the Empire.

The Reichsbank was floated partly by an issue of shares to shareholders of the Bank of Prussia, which ceased to exist, and partly by the sale of shares to the public. Thus the Government held none of the capital, but nevertheless, they assumed complete control. The Imperial Chancellor was president, and the whole of the governing body was appointed by the State. The Bank was authorized to issue notes under certain restrictions and to add to its own issue the amount of the issue of any of the other banks which ceased to issue. The note issues of the other banks were not to be increased except by authority of an imperial law, their notes were not to circulate outside the territory of their own State, and unless they held cash or imperial treasury bonds equal to one-third of the total amount outstanding they were to cease to issue. These provisions were similar to those applied in England in 1844. Seventeen of the other banks ceased to issue immediately and the remainder gradually

dwindled in number until only four were left, the Banks of Bavaria, Wurttemberg, Saxony, and Baden, whose rights were continued in the new bank law of 1924.

For the Reichsbank the English principle of the fixed fiduciary issue was adopted. A maximum of 250 million marks, augmented under the above conditions, could be issued without gold cover, but a one-third reserve of coin, bullion, or imperial treasury bonds was required against the total issue. To avoid, however, the lack of elasticity at a time of crisis which had hampered the Bank of England, a special provision was adopted which has been copied in other cases. The Bank was authorized to meet an unusual demand for currency or a sudden drain upon its reserves by permitting its fiduciary issue to exceed the legal maximum, provided that it paid a tax of 5 per cent. per annum upon the excess. The Bank of England had been given special authority to exceed its legal maximum fiduciary issue in 1847, 1858, and 1866, at periods of severe strain. The Reichsbank exceeded its maximum on many occasions before the end of the century, but this was in the main due to the inadequacy of the legal amount for meeting harvest requirements. During the crisis of 1907, however, although the maximum had been increased in 1901, to 450 millions, it was greatly exceeded and the excess continued for six months. Under the new law of 1924 which requires normally a 40 per cent. reserve, the tax payable upon an excess varies from 3 per cent. upwards according to the amount of the excess, and rises to high levels if the reserve falls below one-third. In England in 1928 the Government was given power to authorize the Bank to exceed the maximum fiduciary issue for a limited period, and the power has been used. The banking regulations of many other countries now provide for an increase of the note circulation in an emergency, without increase of reserve.

By the commencement of the twentieth century the Reichsbank had taken up a position in German banking resembling much more closely that of the Bank of England than of the Bank of France. The large commercial banks and discount companies depended upon it for a part of their resources, not

merely at periods of stringency, as in the case of the English money-market, but as the normal practice. A part of the paper they discounted was in the ordinary course rediscounted with the Reichsbank before maturity. Thus the latter was placed in a controlling position but at the same time a more vulnerable position than the Bank of France, and was compelled to make full use of its discount rate to protect the reserve and even sometimes to adopt the open market policy used in England of borrowing from the market or forcing additional funds into the market as required to control the supply of money. In the period between 1890 and 1914 the German bank rate varied over a somewhat wider range even than the English rate.

In this period, which was one of great commercial and industrial expansion in Germany, the banking system developed a feature which, while it was undoubtedly in times of prosperity a factor of great usefulness in fostering German industry, was a source of serious weakness at times of strain. English banks on several occasions in the nineteenth century had experienced the dangers of locking up funds payable to depositors on demand or at short notice, or raised by the issue of notes, in long-dated commercial investments. In time they came to view their principal function as being that of providing the circulating capital rather than the fixed capital of industry and, so far as they held long-dated securities at all, to hold only 'gilt-edged' securities. They have often been criticized on the ground that this policy prevented many undertakings from securing much-needed capital for expansion. The large German banks have not followed this conservative policy but have invested a great part of their funds in bonds and shares of industrial undertakings. This has facilitated the growth of these undertakings but has tended to 'freeze' up the funds of the banks at periods of crisis—a feature particularly noticeable in both the crisis of 1907 and also that of 1931.

The development of banking in the other countries of Europe as well as in France, Germany, and Great Britain has had as its main feature the gradual establishment of a centralized note-issuing system under the control of a central bank. The course

followed has varied, but the end has in every case been the same; and although the banks grouped around the central bank have varied as well as the methods of conducting business and the policy of the central bank, nevertheless by the early years of the twentieth century some form of centralized control existed almost everywhere.

Banking in Belgium

Belgium found itself, on being separated from Holland in 1830, with one joint-stock bank of considerable influence, the Société Générale, and a few small institutions of little account, all issuing some form of circulating paper. Five years later a Bank of Belgium was founded under a State charter and took over from the Société Générale the conduct of State business. It issued notes mainly in the discount of commercial bills, but had no monopoly. Both banks suspended payment in the crisis of 1848 and, although they resumed again shortly afterwards, the Government in 1850 decided to found a new bank, the National Bank of Belgium, which, while restrained from investing funds in long-term speculative investments as they had done, should have a monopoly of note issue. The Bank was chartered upon these terms with a capital of 5 million francs subscribed by the public, the shareholders appointing all the directors except the Governor.

At first it had to struggle against the competition of the others, but gradually its credit improved and it adopted the plan of investing the bulk of its funds in commercial bills, largely upon London and Paris. This arrangement was particularly useful in providing a stabilizing fund for the Belgian currency, and on more than one occasion these bills were brought into use to obtain funds abroad for stemming an outflow of bullion.

Upon the renewal of the charter in 1872, the Bank was required to hold a bullion reserve equal to one-third of its demand liabilities (notes and deposits together), and in the next year the notes were made legal tender. In 1900 the dividends of the Bank were rigidly restricted, excess profits

being appropriated by the State. The Bank had by now definitely accepted the position of keeper of the central reserve and used its discount rate to control gold movements, but the arrangement of 1900 provided that all profits made upon a discount rate of more than $3\frac{1}{2}$ per cent. should accrue to the State. In many countries central banks have been prevented from making profits out of high discount rates.

Holland

In Holland the final disappearance in 1819 of the old Bank of Amsterdam, founded early in the seventeenth century, had been preceded in 1814 by the establishment of the Bank of the Netherlands, which at that date became the only note-issuing bank in Holland. No other note-issuing bank could be set up except by special law. The capital, which was increased by stages from 5 million florins to 20 million florins, was held by the public, but the chief officers were appointed by the State. The Bank's chief business was from the beginning to issue notes in the discount of bills and in loans, and its control of credit throughout the country was exercised by means of changes in the discount rate. In 1884 the Bank was required to hold a metallic reserve of 40 per cent. against its notes and deposits together, and although this requirement was suspended in 1914 the rule has generally been observed.

Holland, since she adopted the gold standard in 1877, has, like Great Britain, maintained a free market for gold with a remarkably small gold reserve compared with that held by other European countries. But Amsterdam has not been called upon to support anything like the volume of international transactions carried by London.

Switzerland

Switzerland, being a confederation of separate States, was, like the United States, very late in establishing a centralized banking system; indeed the history of banking in Switzerland bears several resemblances to that of the United States. Banking institutions of a private nature existed in the large cities

at a very early date, but they bore many resemblances to the Flemish banks and indeed to the early English private banks, and they were not suited to being welded together into a system of the modern kind. From 1845 onwards, joint-stock banks began to be established, some of them under the authority and with the assistance of canton governments, others independently. They all issued notes which had a purely local circulation.

In 1875 was reached the stage corresponding to the establishment of the national banking system in America. The Swiss banks, now twenty-eight in number, were forbidden to issue notes in excess of 12 million francs and were required to keep a 40 per cent. cash reserve against their notes. In 1881 the circulation was restricted to double the paid-up capital, and the banks were required to make weekly reports to the Government and submit to a government audit. In the following year most of them formed an association for clearing purposes. One source of weakness in the system, however, was the large volume of securities of a non-liquid character held by many of the banks and another the lack of any agreed policy regarding discount rates. Indeed competition amongst them for business weakened all efforts at control, just as the Bank of England's control was weakened in the early part of the nineteenth century by the fact that it competed with the other banks in the discount market. In 1893 an effort was made by five of the chief banks to remedy this defect. They appointed a committee to fix a minimum rate of discount, which they agreed to observe. In 1900 this was supplemented by an arrangement whereby a committee of the chief banks was charged with powers to reduce the note issue by a definite percentage when it was considered desirable to do so.

These measures, however, failed to keep the currency at par with gold. The exchanges were nearly always adverse, due to the over-issue of notes by the competing banks. In 1905 after much controversy, a central bank, the Swiss National Bank, was established. The capital of 50 million francs was subscribed by the cantons, by the other banks, and by the public, but the

chief officers were appointed by the Swiss Federal Council. The notes of the other banks were retired within three years, after which the National Bank had a monopoly of note issue. No maximum limit was placed upon the note circulation, which was to be in accordance with the needs of trade, but a reserve of 40 per cent. in coin or bullion was to be held. The remainder of the notes were to be covered by short-term bills, to which might be added, however, under a law of 1921, treasury bonds and loans on current account callable within ten days. Thus Switzerland at last came into line with the other European countries in having its credit system controlled from the centre. The circulation issued against bills has had, like the credit currency of the United States under the Federal Reserve system, a high degree of elasticity.

Russia

The financial history of Russia during the nineteenth century provided many object lessons which might have been learned to advantage by the statesmen of other countries during the war of 1914-18, and the period which immediately followed. Russia began the last century with no central bank and with a depreciated paper currency which had been issued by the State in the eighteenth century. Paper roubles circulated alongside silver roubles at a discount of about 50 per cent. Further inflation occurred in the early part of the century and at one time the paper rouble was worth about one-fourth of a silver rouble. In 1839 the old notes were redeemed with new convertible notes at three and a half to one, but during the Crimean War payment of these new notes in coin was suspended and they fell to a slight discount.

In 1860 the Bank of Russia was founded as a State-owned institution but with separate capital and reserves, to take over the outstanding note issues and to consolidate a number of older banks. An attempt was made, by floating a loan, to redeem sufficient of the notes to bring them to par, but the funds were exhausted before par was quite reached and the value fell back. During the war with Turkey in 1877 the paper again

fell to a discount of 50 per cent., and a considerable discount continued for twenty years.

In 1895 the Bank of Russia was reorganized. A maximum limit was placed upon the note issue. A reserve of gold and of foreign currencies based upon gold had been acquired by raising loans abroad, and preparations were made to place the rouble upon a gold basis. The time-honoured controversy which nearly all countries have experienced at one time or another as to whether the paper should be raised to its old par or redeemed at its existing value was fought out. Since 1891, however, the paper rouble had been valued through the foreign exchanges fairly steadily at two-thirds of its par value. It was decided to place it upon the gold standard at this rate. Exchange speculators, selling the rouble forward, were dealt with by Count Witte as exchange speculators have been dealt with in several countries since. He allowed them to become deeply involved and then purchased the rouble in considerable amounts with his foreign currency reserves. By 1897 the stabilized rouble was definitely made convertible into gold roubles, and the free coinage of silver, which had been suspended in 1893, was not resumed.

Scandinavia

The three Scandinavian countries, though using the same currency unit, have had a somewhat diverse credit currency history. Norway had a central bank as early as 1816 and Denmark as early as 1818. The former was one of the few banks other than the Bank of England to adopt the principle of the fixed fiduciary issue. This was 35 million crowns at the outset, but was raised from time to time and fixed at 250 million crowns in 1926. One-third of the gold reserve might be held abroad. As in the case of the Reichsbank, there was provision for an excess issue in an emergency, and a tax was to be paid upon the excess. The State held a considerable part of the capital and the remainder was in the hands of the public, dividends being limited. The officers were appointed by Parliament. The National Bank of Copenhagen adopted the principle of the

fixed fiduciary issue in 1873, but abandoned it in 1907. From that date it was permitted to issue notes to the amount required by trade, but was to keep a 50 per cent. reserve in gold or at the other Scandinavian banks or at the Reichsbank. The bank was privately owned from the outset, but had a monopoly of note issue, and the Government was represented on the management.

Sweden had a State Bank, the Riksbank, in the seventeenth century, thirty-eight years before the foundation of the Bank of England, but it did not become a true central bank until 1897. A number of private and joint-stock banks sprang up in the eighteenth and early nineteenth centuries, most of them issuing notes as well as carrying on deposit banking. The movement towards centralization did not begin until 1879, when the Riksbank was given a monopoly of the issue of notes of small denomination. In 1887 it was required to keep a reserve of 40 per cent. and in 1897 a law was passed under which those other banks which gave up issuing notes were offered the privilege of rediscounting with the central bank at specially favourable rates. Gradually the note issue became solely a liability of the Riksbank, while the other banks confined their activities in the main to commercial loans and discounts, obtaining their reserves by rediscounting with the central bank and holding them largely on current account with the central bank. The gold reserve against the note issue was fixed in 1897 at 25 per cent. and a maximum limit of 100 million crowns was placed upon the issue, but the limit was raised from time to time afterwards. As in the case of the United States Federal Reserve Banks, a substantial part of the Riksbank's resources not invested in rediscounts of the commercial banks or held as gold, was in government securities, although the Bank also generally held considerable balances abroad.

The practice adopted by the three central banks of Scandinavia of holding balances with one another has linked together the currency units of the three countries. The system broke down during the war period of 1914-18 when the currencies of all three departed from the gold standard. At first their value actually rose above the gold par, but later

they sustained varying degrees of depreciation. By 1925 they had all returned to the old parity with gold, and they remained there until September, 1931, when, on the abandonment of the gold standard by Great Britain the Scandinavian countries again suspended that standard and for a time took measures to keep their units as nearly as possible at parity with the pound sterling and with one another. The Danish crown, however, in 1932 was allowed to depreciate still further in relation to gold.

Italy

The history of banking in Italy in the nineteenth century is largely a history of badly controlled inconvertible paper. There is a complete break of almost half a century between the disappearance of the last trace of the medieval Italian bankers and the laying of the foundation stone of the modern banking system. From the period of the Napoleonic wars until the foundation of the Bank of Genoa in 1844, the credit system, such as it was, was entirely in the hands of small private undertakings. The Bank of Genoa, founded with a capital of 4 million lire, made a loan of 20 million lire in 1848 to the Sardinian Government largely in notes which were made legal tender and inconvertible. In the following year it was amalgamated with a bank which had been founded at Turin in 1847 and together they became the National Bank of Sardinia and in 1859 the National Bank of Italy.

During the war with Austria further paper issues had been made, but the degree of depreciation was not serious and a return to parity was achieved in 1860. In other parts of Italy several banks had been established at various dates, most of them operating a note issue. The Banks of Naples and of Sicily dated from the last years of the eighteenth century, the Roman Bank from 1851, and the National Bank of Tuscany from 1857. Yet another, the Tuscan Bank of Credit was founded in 1860. These Banks were allowed to continue, but the National Bank of Italy opened branches throughout Italy and began to compete with them seriously.

In 1866 when war again broke out with Austria, the notes

of the National Bank became inconvertible, and since they were legal tender and the notes of the other banks could be paid with them, the whole of the note circulation also became inconvertible. The period of inconvertibility lasted until 1884.

Meanwhile, in 1872, the first legal steps towards unification of the banking system were taken. The issue of notes was limited to the National Bank and to the five other banks mentioned above, and a maximum limit was placed upon the circulation of each. A considerable part of the circulation of the National Bank and some part also of that of the other banks had been issued in loans to the Government. In 1874 the banks were formed into a *Consorzio* and notes of the National Bank were substituted for all the notes which had been issued as loans, the remainder of the note issues of the other banks being limited as legal tender currency to their own districts.

The *Consorzio* was dissolved in 1884 and shortly afterwards nearly all the banks, anxious to secure as large a share of the available business as possible, began to exceed their legal maximum issues, bribing various public officials and politicians into connivance. The result was a serious over-issue of notes, and in 1893 a general suspension of payment.

An inquiry which followed disclosed that the affairs of all the banks except the Tuscan Bank of Credit were in a serious condition. The Roman Bank went into liquidation. The Banks of Naples and Sicily were able to continue, but a new national bank, the Bank of Italy, was formed by uniting the old National Bank and the two Tuscan banks. The policy was adopted of fixing the maximum circulation of the new bank as well as of the Banks of Naples and Sicily, and of reducing the circulation by a definite amount annually until the value of the lira returned to par. Actually, however, this policy was not carried out; indeed, under various pretexts additions were made to the circulation during the next two years and the depreciation reached 16 per cent. Even the silver token coinage was driven away. From 1898 strenuous efforts were made to put the finances of the country in order. Debt held abroad was paid off by internal borrowing, and a series of budget surpluses was

used to repay some part of the debts due to the banks. In October, 1902 the gold standard was restored.

The fiduciary issue of the Bank of Italy was fixed in 1906 at 630 million lire, that of the Bank of Naples at 190 million lire, and that of the Bank of Sicily at 44 million lire. The position of these banks in relation to Italian finance and commerce has been similar to that of the Bank of France rather than to that of the Bank of England or the Reichsbank. They have set out to provide direct accommodation to traders throughout Italy, and have always sought to keep their discount rate low and steady, and to protect themselves rather by maintaining a high reserve percentage. In 1928 after the inflationary period dealt with later, the principle of fixing a maximum limit to the note issue was abandoned in Italy as it was in France, and the Bank of Italy was required to keep a reserve of 40 per cent. in gold or foreign gold-standard currencies against both its notes and its other demand liabilities.

Spain

The first modern joint-stock bank in Spain was the Bank of San Carlos, founded in 1782 at Madrid. Others were set up at various dates in the first half of the nineteenth century and carried on banking chiefly by the issue of notes. Until 1856, however, no effort was made to regulate credit from the centre either by legislation or through the medium of a central bank. In that year the Bank of San Fernando, which had been founded in 1829, and which performed the Government's financial business, was renamed the Bank of Spain, but in no real sense did it become at this date a central bank. The other banks, however, were brought under stricter control by law. Their issues were limited to three times their capital and they were required to keep a one-third reserve.

In 1874 the note issues of all other banks were transferred to the Bank of Spain, which was given a monopoly of the right of issue. The issue was limited to five times the amount of the capital. After 1891 a reserve of one-third was required to be kept in gold against the notes, the maximum of which was fixed

at 1,500 million pesetas. In 1921 when the charter was renewed, the maximum issue was fixed at 5,000 million pesetas in normal times, but the Government was given the right to increase it to 6,000 millions if special conditions required it. A reserve of 45 per cent., 40 per cent. in gold, was required for the first 4,000 million pesetas of notes, and of 60 per cent., 50 per cent. in gold, for the remainder.

The Bank of Spain's control of the credit currency during the nineteenth century, was very weak. It was continually under pressure from the Government for loans. No effort was made to use the discount rate effectively, and during the Spanish-American War of 1898 there was serious inflation. Several efforts were made to frame a plan for a return to the metallic standard after the war ceased, but although inflation came to an end and the value of the peseta rose sufficiently for the silver tokens, which had the high silver content of the Latin Union standard, to circulate, free conversion into gold was not restored. In 1913 the peseta almost reached par with the gold unit, and during the war its value actually rose above par, but it depreciated later.

The United States

Banking in the United States began in the eighteenth century long before the War of Independence, in much the same manner as in European countries. Some of the banks were joint-stock banks, most of them issued notes, and the knowledge of sound banking principles amongst their managers was at least as rare as in other countries. The history of the modern American system, however, begins in reality with the foundation of the Bank of Pennsylvania during the War of Independence. In 1781 a Bank of North America was projected to take over an issue of notes which had been made by citizens of Philadelphia upon the security of a fund of foreign currency subscribed by them towards financing the war. Doubts regarding the power of Congress to grant the Bank a charter prompted it to secure one from the State of Pennsylvania and it became the Bank of Pennsylvania. Its notes had a wide circulation, the issue was

well managed, and the Bank performed some of the functions of a central bank for nearly ten years. In course of time many other banks received charters from the State governments.

The first Bank of the United States was founded in 1791 as a part of the financial plans of Alexander Hamilton. He undoubtedly had the early history of the Bank of England very much in mind. The Bank was given a capital of \$10 millions, sufficient to render it easily predominant amongst American banks, and the amount was rapidly over-subscribed. Its charter was granted for twenty years and a loan to the State was one of the conditions. As in so many other cases, the advances by the Bank to the Government under pressure from the latter increased rapidly and soon began to prejudice the Bank's position. From 1795 onwards, however, the debt was reduced and at the same time a body of opinion grew in strength against the existence of a central bank. It was led by Jefferson and conformed with his general desire to limit the power of the Federal Government. He was in favour of the Government's business being shared amongst banks in the various States. When the charter became due to expire in 1811, there was much opposition to its renewal, the fact that a considerable number of the Bank shares were held abroad being much exploited by its opponents. Congress by a narrow majority rejected the plan for the renewal of the charter, and the Bank was liquidated.

This was followed almost immediately by the outbreak of war with England. The Federal Government fell back upon the State banks for loans, and they in turn resorted to excessive issues of notes. There was a general suspension of payment in 1814 and much of the outstanding paper became valueless. This, together with the difficulty now beginning to be acutely felt in making payments between distant places with only a series of local note issues in use, turned public attention again to the advantages of a central institution. Opposition to the strengthening of the position of the Federal Government was breaking down, and in 1816 a new Bank of the United States was founded with the sanction of Congress for a period of twenty years, its capital being of \$35 millions. One-fifth of the

capital was subscribed by the Government and one-fifth of the directors were to be appointed by the President. The notes of the Bank were not made legal tender but they were to be accepted in payment of Federal taxes, and although the Bank was given no monopoly of banking or of note issue, Congress undertook to set up no other bank within the twenty years outside the District of Columbia.

The Bank proceeded to establish branches in all parts of the United States, aggressively forcing its notes into circulation in place of those of the State banks, which were still inconvertible and in many cases depreciated. Liberal discounts were granted to the State banks to enable them to retire their notes, and considerable quantities of these notes were also taken by the branches of the Bank in exchange for its own. This shouldering of a substantial part of the burden of the other banks was accompanied by various acts of bad management such as the investment of funds in speculative stocks. The Bank found it impossible to carry on an expansive policy with a liberal extension of credit and at the same time bring a depreciated currency back to par. It was compelled to restrict its discounts. A crisis followed accompanied by serious distress amongst the other banks and the commercial community and the Bank had to face great unpopularity. It was threatened with ruin as a result of special taxes imposed by the State Governments upon its notes and its branches, but the Supreme Court in 1819 in the case of *McCulloch v. Maryland* decided that such taxation imposed upon an institution set up by Congress was illegal.

A central bank at this period in the United States had to face difficulties from which the European central banks were free and which have not entirely disappeared in that country even to-day. The branches of the Bank served a territory roughly a thousand miles square, over the greater part of which communications were exceedingly bad. Trade between different regions was by no means reciprocal and was subject to periods of considerable disequilibrium. In such circumstances the same currency unit may often have quite different values in different areas. If there is no central bank endeavouring to maintain a

national currency of uniform value, the currency units of the different areas may become separate, in which case a varying rate of exchange will establish itself between them. But if there is a central institution the whole of the burden of forcing the necessary economic readjustments upon particular areas to unify the value of money will fall upon its shoulders.

It was a period of rapid development in the west. The population of the States of the Mississippi Valley increased from 400,000 to 2,000,000 between 1800 and 1820. The Western branches of the Bank did much to finance the expansion, but used too little care in extending their credit. The credit issued in the form of notes or bills upon the Eastern branches was used to purchase producers' goods and equipment from the Eastern States and the credit instruments came into Eastern branches to be cashed. In spite of large purchases of bullion from Europe the reserves were drained away. For some time the Western branches ignored all warnings, but in 1819, when the position had become almost desperate, a committee of inquiry was set up by Congress and changes made in the management. The Western branches were forbidden to issue notes when the currency in their areas was depreciated, and during the next decade the Bank succeeded in reducing rates of exchange very considerably and in materially improving the national system of remittance which its notes and bills provided.

The Bank's charter was due to expire in 1836. Some years before this date it incurred the antipathy of Andrew Jackson. The quarrel seems to have begun as early as 1824 when a branch manager of the Bank in New Hampshire contested a seat in the United States Senate on behalf of Jackson's opponents. As soon as he became president in 1829, the latter expressed his doubt of the expediency of continuing such an institution, and when Congress in 1832 passed a bill for renewing the charter he vetoed it. The Bank was virtually doomed when Henry Clay, Jackson's chief opponent in the presidential election of that year, made the renewal of the charter a foremost issue of the campaign. Jackson was re-elected, and in the follow-

ing year withdrew the Government deposits from the Bank and distributed them amongst the State banks. The charter expired in 1836 but the Bank obtained one from the State of Pennsylvania, and attempted to continue. It was ruined, however, by the prolonged financial crisis of 1837-9, and was liquidated in 1841, all of the capital being lost.

From 1836 to the period of the Civil War, American finance was mainly in the hands of the State banks. Their numbers varied, for mortality was great amongst them in years of panic, but over the whole period they increased from about 500 to nearly 1,500. Amongst them were to be found almost every conceivable type of credit instrument and every possible method of regulating the business of a bank. Ordinary circulating notes were the commonest form of paper currency, but cheques and bills of exchange were used as well in many different forms, and it is probable that the great variety of form which credit currency assumed in the United States at an early period was responsible for the fact that modern banking legislation in that country has not drawn that sharp distinction between notes and other banking liabilities which has been drawn in Europe, particularly in Great Britain. As early as 1792 a law of Massachusetts required the chartered bank of that State to limit its note issue, together with the amount of loans made 'by a credit on the books or otherwise', to twice the amount of the capital. This recognition of the principle that loans make deposits occurred nearly half a century before the controversy over the question in England between the Banking and Currency Schools which resulted in the strict regulation of note issues under the Act of 1844 but left deposits completely free from legislative control.

The system adopted by the State banks depended partly upon the requirements of the area in which they operated and partly upon the laws of their State. Four methods of regulating the banks have been distinguished by students of the period. In the New England States the bank charters or a general law usually imposed a limit upon the note issue, or upon the note issue and other banking liabilities together, based upon the

amount of the capital. In Massachusetts the limit after 1811 was generally 150 per cent. of the capital, with a special limit after 1829 for notes alone of 125 per cent. Similar provisions applied in the other New England States, supplemented sometimes by special safety devices; for example, in Maine after 1846 the banks were allowed a maximum fiduciary issue equal to the amount of the capital, and were required to keep a one-third reserve against all notes outstanding in excess of one-half of the capital. In some respects the New England banks formed a separate self-contained system based upon Boston. They inspired a confidence which banks in other States lacked, not so much because of their superior methods, as because of the generally greater wealth and security which existed in New England. The notes of the country banks of New England and of banks outside circulated at a discount, partly due to the cost of sending them home for redemption and partly to the uncertainty in many cases of their being redeemed. The Boston banks established a system whereby the best of these other banks deposited a guarantee fund in Boston, had their notes accepted at par, and redeemed them with Boston notes received in their own district. Thus a clearing system was established which unified the currency of New England and some part of the surrounding area.

In New York State most of the banks commenced with charters similar to those of New England, but in 1829, under the Governorship of Van Buren, a plan was introduced whereby each bank, as its charter fell to be renewed, was called upon to pay to a safety fund in six annual instalments an amount equal to 3 per cent. of its capital. At first the fund was intended to provide the amount required to meet any deficiency in the assets of any of the banks which were liquidated. But in 1842, after a crop of failures, the liability of the fund was restricted to providing cover for note issues only. By this time, however, the breakdown of the system was assured. In 1838 a new type of bank had begun to be established and the fund acquired no new subscribers. By 1857 it had been drained dry by a succession of failures, although statistics showed that had it been restricted

at the outset to the redemption only of the notes of banks which failed it would have been much more than adequate. Other States, particularly Ohio, Indiana, and Michigan, adopted the safety-fund system for a time, but in all of them by the middle of the century it was being superseded by a system of the third type.

Under the Free Banking Act of the State of New York passed in 1838, any one who deposited approved securities with the State Comptroller became entitled to issue notes to a like amount. In certain circumstances even mortgages were accepted as proper securities against which notes might be issued. The Act was intended to give all citizens an equal right to establish a bank, since the granting of charters had been the subject of much political jobbery. It resulted at first in the establishment of many small and insecure concerns, several of which failed badly soon afterwards; but in 1844 a minimum of \$50,000 was fixed for the securities deposited, and from that time the number of failures was comparatively small. Although, however, the system thus gave a fair measure of security in New York, it by no means did so in the States which copied it. In Michigan, Indiana, Wisconsin, and many other States, the crisis of 1857, which arose largely as a result of speculation based upon note issues of the Western banks, brought down more than one-half of the banks established under the scheme and spread to New York and New England and thence to Europe.

The fourth type of bank with which experiments were made at this period in the United States was the bank owned and controlled by the State. It was perhaps the least successful of all. In Kentucky a State-owned bank founded in 1820 issued notes which in two years had lost more than a third of their value. The Bank of the State of Alabama, about the same period, embarked upon an orgy of uncontrolled credit expansion and was finally wound up with a heavy deficiency. At least a dozen other States had similar experiences. The outstanding exception was Indiana, whose publicly owned bank, established in 1834, was well managed and brought much

profit to the State. It was liquidated only when the State note issues were taxed 10 per cent. in 1865.

By the middle of the nineteenth century the crying need of American financial institutions was for a national system of currency and some form of centralized control of credit. The rapidly-growing nation required rapidly expanding credit. But it required also a much safer credit than these hundreds of diverse, irresponsible, and shaky little banks could give to it. They were dangerous not merely to the United States but to Europe as well, for every serious collapse in America was beginning to be felt abroad, especially in Great Britain.

The United States National System

The links between them were the product rather of the efforts to meet the financial needs of the Federal Government in the Civil War, than of any definite attempt to reform the monetary system, although there is no doubt that Chase, Lincoln's Secretary of the Treasury, believed that in addition to satisfying the needs of the moment he was carrying through a useful permanent reform. At the very commencement of the Civil War the United States Treasury made an emergency issue of notes which the public were asked to accept and use, although they were not legal tender. They were, however, not well received. They were taken to the banks and exchanged for coin and, as in the first six months large quantities were issued, the reserves of the banks became seriously depleted. At the end of 1861 the banks, the most important of which had already formed a union to assist in floating Government loans, decided to suspend payment and, since the Treasury had no reserve for cashing its notes, the dollar ceased to be based upon gold. Apart from the issue of notes, the war was financed in the first two years chiefly by borrowing, and it was mainly to facilitate the marketing of further loans that the national banking system was established.

The first Act was passed in February 1863, and amended in June 1864. The scheme was the result of an inquiry into the State banking systems, and it incorporated what were

considered to be the best features of several of them. Any bank with a capital of \$100,000 or more was entitled to become a national bank, to deposit with the Comptroller of the Currency United States securities equal to at least one-third of its capital, and to receive in exchange and put into circulation national bank-notes to the amount of 90 per cent. of the value of the securities deposited. The notes were payable in inconvertible legal tender notes ('greenbacks') issued by the Treasury. Certain of the larger cities were made reserve cities where the national banks were required to keep a reserve of legal tender money (which meant notes of the Treasury, since metallic money had vanished) to the extent of 25 per cent. of their note circulation and deposits. Later, three of these, New York, Chicago, and St. Louis, became central reserve cities in the national banks of which the national banks of the reserve cities might keep one-half of their reserve as a deposit. In other places, the reserve ratio was 15 per cent., of which three-fifths might be held as a deposit in a reserve bank. In 1865 a tax of 10 per cent. was imposed upon the note issues of the State banks and most of them rapidly came into the national system, so that ultimately no other bank-notes remained in circulation. While the currency continued inconvertible a maximum limit was placed upon the total bank-note circulation of \$300 million, increased in 1870 to \$354 million, but on the resumption of payments in 1879 the limit was removed. In that year there were \$346 million of United States notes outstanding and these immediately became convertible into gold. Yet no gold reserve was maintained against them until 1890.

The United States returned to the gold standard in 1879 without serious measures of deflation because, with so rapid an expansion of population and wealth, the limited note circulation soon ceased to be excessive. From 1879 onwards the note circulation of the banks was limited only by the amount of their capital and by the quantity of government securities they were able to deposit. The national debt, however, soon began to be rapidly reduced and the banks were hard put to it to provide securities. The bank-note circulation, therefore, steadily

diminished, the cheque system expanding to take its place. And since the circulation of United States notes was continued at the same figure, the reserve banks were compelled to make steady accumulations of bullion as their deposits grew in order to maintain their legal reserves. Thus without any reserve against United States notes the dollar remained at par with gold. From 1890 the Treasury was required to hold \$150 million of gold.

The national banking system achieved two things. It gave to the country a national note circulation, and it secured that in normal circumstances there should be adequate reserves to maintain the gold standard. But in two important respects it was lacking. It provided no central controlling authority with the power and the will to manage the supply of credit and to curb speculation, and it made no provision for an expansion of the note issue either for seasonal purposes or at a time of stress. Moreover, partly owing to State legislation and partly as a result of prejudice against tendencies to monopoly, bank amalgamations and branch banking were practically unknown. By 1913 there were more than 7,500 national banks and about 17,000 other banks, 'entirely independent and at cross purposes in a panic'.¹ And the banks other than the national banks were under no legal obligations as regards their reserves except where State laws imposed such obligations.

That the system was unsatisfactory and might prove dangerous was well understood by most financial authorities. Much discussion of possible reforms occurred but no agreement could be reached. In 1907 after a great speculative rise of stock market prices there was a serious collapse. Several of the largest trust companies, which were merely banks under another name, had a considerable proportion of their funds in speculative investments and were immediately in difficulties. Panic spread throughout the country. The greater part of the banks in all areas were by now linked together through the New York Clearing House, and the Clearing House Committee was virtually the only central authority in a position to take action to

¹ Prof. E. W. Kemmerer, *The A. B. C. of the Federal Reserve System*.

ease the situation. In October, eight months after the first collapse of prices, all the banks in the country virtually suspended payment by refusing to meet cheques with notes or coin. The Clearing House Committee made loans in the form of Clearing House certificates, which in some places were obtained for small amounts and actually put into general circulation. Notes and coin went to a premium at one time of $4\frac{1}{2}$ per cent.

The Federal Reserve System

Recovery from the crisis was very rapid, but the failure of the banking system renewed the demands for reform, which, however, did not come until 1913, when, after much further discussion and inquiry, the Federal Reserve Act was passed. The Federal Reserve System was designed to provide a greater concentration of reserves than had existed under the national system, to remedy the lack of elasticity in the note issue, to afford means for expanding credit in periods of local or general pressure, and to supply to the whole banking system that controlling and co-ordinating central authority which exists in other countries in the shape of the central banking institution. The original Act of 1913 was amended somewhat in 1917.

The establishment of one single central bank was strongly opposed as unsuitable for a country of the size and structure of the United States. The country was divided into twelve federal reserve districts each with its central bank. All national banks were compelled to become members of the system and other banks were encouraged to do so. Member banks were to own the capital of the central bank, each one subscribing 6 per cent. of its own capital. A Federal Reserve Board appointed by the Government, with the Secretary of the Treasury as Chairman, and an advisory council elected by the reserve banks, was to exercise control over the policy of the reserve banks.

In the United States the common instrument of commercial credit is neither a bill of exchange nor a simple bank advance. It is a promissory note bearing the name only of the borrower,

which is discounted in the first instance and may be rediscounted. The member banks were given the right to rediscount 'eligible' paper, that is, broadly speaking, promissory notes arising out of transactions in goods and not in stocks and shares, with the reserve bank of their district. In the three central reserve cities established under the old system, member banks were to keep 13 per cent. of their own demand deposits on deposit with the central bank. In reserve cities the proportion was 10 per cent. and elsewhere 7 per cent. They were not compelled to hold any cash at all themselves. Notes of two sorts were to be issued by Federal Reserve Banks. The first were Federal Reserve bank-notes paid out to member banks in exchange for the bonds which they held against the old national bank-notes, the latter being substituted in circulation by the new notes. The second were Federal Reserve notes which the Reserve Banks obtained from the Federal Reserve Board in exchange for eligible paper or gold. These were to be payable in gold or the equivalent thereof in other lawful convertible money at the Reserve Banks, or in gold at the Treasury at Washington.

The Federal Reserve Banks were to keep at least 35 per cent. in gold or other legal tender money (which included the old 'greenbacks') against their deposits, and 40 per cent. in gold against the Federal Reserve notes issued by them. Thus the principal business of the member banks was to accept deposits and use them to discount eligible paper, a sufficient quantity of which they rediscounted with the Reserve Banks in order to obtain their statutory reserve; while the Reserve Banks held statutory gold reserves against these deposit reserves of the members. The rediscount rate of the Reserve Banks was generally below the market rate of discount but, since the member banks were continually resorting to the Reserve Banks to rediscount eligible paper, the rediscount rate tended to govern the market discount rate and thus the Federal Reserve Board, which fixed the rediscount rate, obtained a measure of control of the whole market.

The establishment of the Federal Reserve System gave the

United States in the first place a note issue capable of indefinite expansion so long as the supply of eligible paper was adequate, and thus provided for the needs of expanding commerce, for seasonal requirements, and for meeting an unusual demand for notes of unimpeachable security at a time of crisis, Federal Reserve notes being a liability of the United States Government. The arrangement by which member banks could immediately strengthen their reserves by rediscounting with the Reserve Banks it was hoped would make them absolutely liquid at all times, and the fairly high reserve percentages required to be kept by the Reserve Banks would, it was thought, make the gold standard as secure as it could be made anywhere. The control of commercial credit through the rediscount rate was strong and sensitive. But member banks were still left with considerable independence in making short loans to stock-brokers, and a weak point of the system was the poor measure of control exercised by the Board over stock-market speculation. Moreover, the establishment of the Federal Reserve plan did nothing to replace the many thousands of small independent banks by larger institutions spreading their risks over wide areas and over many industries and trades. And it still left a very large number of banks, the so-called State banks, which derived their powers from State legislation, outside the sphere of central control and, indeed, in keen competition with National banks; for the State banks were not compelled to join the Federal system, and most of them did not join.

Summary of Monetary Systems as in 1914

It is now possible to view as a whole the world's financial system as it existed in the few years which immediately preceded the outbreak of war in 1914. Nearly all the countries of Europe and North America as well as South Africa, Australia, and New Zealand had currencies based directly upon their own gold reserves and many of them had standard gold coins in circulation; while most of the colonies and protectorates of Great Britain and of other European countries had currencies based directly or indirectly upon gold. Inconvertible paper

circulated in some South American States, and China still used silver, but apart from these and a few other minor exceptions the credit currency of the whole world was exchangeable on demand or at short notice into gold. The value of gold was falling slowly, wholesale commodity prices having risen about 25 per cent. since the commencement of the century, and there were signs that the production of gold might soon commence to diminish seriously, the poorer mines being driven out of production by the falling value of the commodity.

Nearly all important countries had a centralized banking system, the central institution being in most cases restricted by law in its issue of notes; and the art of central banking was well understood, though it was not carried out with the same degree of skill or in the same manner in all countries. The United States had just established the Federal Reserve System and was beginning for the first time to experiment with a strong centralized control. Great Britain and Holland maintained a perfectly free market for gold, placed no hindrance in the way of its movement out of their countries and relied for protecting their reserves upon the use of the discount rate supplemented, when necessary, by an open market policy of artificially restricting market funds. Germany had a system copied in many respects from the British system, but maintained a much higher reserve which, being held by the Reichsbank, was under the direct control of the Imperial Government, who frowned so severely upon any serious movement of gold outwards that a virtual embargo came into operation upon such occasions. France had deliberately amassed a large reserve and an influx of bullion was not allowed to affect immediately the volume of currency; so that French prices tended always to lag behind world prices in their upward movement and gold tended continually to flow to France. Neither of these two countries, therefore, was operating an entirely unfettered gold standard.

The interdependence of the financial systems of the principal countries was already very marked. It had existed in the eighteenth century, when financial crises often affected many European centres at once and when upon at least one occasion, in

1763, the Bank of England went to the assistance of firms in Holland and Hamburg. It was fully recognized in the nineteenth century, when many international conferences were held to discuss the silver question and when events like the American railway mania, the Civil War, and the payment of the French indemnity made it painfully evident in many financial centres. But the feature of this interdependence which stood out with most prominence in the period between 1860 and 1914 was the extent to which the whole structure of international finance rested upon London. The widespread ramifications of British trading and shipping interests and the world-wide connexions of British banks gave to the bill upon London an acceptability far more extensive than that of any other paper instrument except, perhaps, the Bank of England note, and made of it an international currency.

It has already been pointed out that several of the smaller nations, for example the Scandinavian countries, Holland, and Belgium, had adopted the practice of keeping a part of their reserves as balances in foreign banks or as bills upon foreign centres. They could thereby replenish their reserves almost at once by realizing these balances or bills. Banks and financial houses other than central banks also had a growing habit of placing a part of their funds on deposit at short notice or in the bills of countries where for the moment money rates were highest or the security greatest. The complete freedom of the English gold market and the general acceptability of the sterling bill attracted a great part of this money to London.

Before the South African gold discoveries there was serious concern amongst many people in England at the smallness of the Bank of England's gold reserve and at the frequency with which bank rate had to be used to protect it. A lively discussion of the matter occurred when the Bank, during the crisis of 1890, borrowed £2 million worth of gold from the Bank of France. The South African gold removed all immediate cause for alarm for the reserve soon rose to record heights. But by 1914 the volume of international credit which London was carrying had again aroused alarm, and a committee of bankers was actually

sitting at the outbreak of war to consider the question of the adequacy of the gold reserve. It is probable that had London's credit with foreign bankers failed at any time in the ten years preceding the war as it failed in 1931, the events of September 1931 would have been anticipated.

Effects of the Great War

During the War the gold standard gradually ceased to operate over the greater part of Europe, partly owing to restrictions placed upon the export of gold by the various governments and partly owing to interferences with the movement of gold arising from warlike activities. Germany financed the War upon her side chiefly by taxation and by means of funded loans from her own people. There was no more inflation in Germany down to the end of 1917 than in Great Britain.

In France, on the other hand, the War was financed largely by inflation as well as by loans, and taxation was increased very little. The maximum note issue of the Bank of France, fixed at 6,800 million francs in 1911, was raised from time to time and the actual circulation at the end of 1918 was 31,000 million francs. Italy followed a similar course, her note issue increasing sevenfold during the War period. In Russia the rouble suffered serious depreciation before the Revolution and its value completely vanished almost immediately afterwards. Holland and Switzerland managed to avoid inflation and the value of their currencies remained very near to the gold par, the former receiving some assistance during the War from the funds of the Allies to keep the exchange from becoming adverse. The link between the Scandinavian currencies was broken, and their values fluctuated independently of one another, but there was no serious depreciation. In Spain, although, as has already been shown, the peseta actually rose in value above the gold par during the War, it fell afterwards at one time to less than two-thirds of its par value.

The measures taken during the War to 'peg' the rate of exchange between Great Britain and the United States are described in the section dealing with the finance of the former

country. Similar steps were taken to 'peg' the franc in relation to the pound sterling by means of loans to France from the United States and Great Britain and also to maintain the Italian lira at a higher value in relation to the other currencies than was warranted by its value in terms of commodities. By the end of 1915 the countries still using gold, particularly the United States, had received so much gold from the belligerents and elsewhere that the value of the metal had begun to fall seriously in terms of commodities. By 1917 prices in the United States had risen 70 per cent. Prices in Great Britain had risen more than 100 per cent., in France by more than 160 per cent., and in Italy by 280 per cent., yet the governments of these countries prevented more than a very slight fall occurring in the exchange value of the franc in terms of dollars, and were able until the last year of the War to maintain the exchange value of the lira at about double the value indicated by its relative commodity value. The wisdom of this policy, which, in effect, gave a subsidy to importers, is very doubtful.

The United States placed an embargo upon the export of gold in September 1917, and therefore virtually departed from the gold standard, the restriction being removed, however, in June 1919. For a short time during this period the currencies of Holland, Switzerland, and Scandinavia were at a premium over the dollar. In March 1919, by the abandonment of the 'pegging' arrangements, the exchange rates between European currencies and the dollar were allowed to find their economic level. During 1919 and the early part of 1920 an inflationary boom occurred in most countries of the world. In some countries, for example Great Britain, currency and credit created during the War, and penned up for the time being by war-time restrictions, began to have free play; in others, for instance in Germany, France, and Italy, active inflation was carried on; in no country was effective control of credit exercised. The extent to which inflation was carried differed in all countries and the exchanges became hopelessly disorganized. The boom collapsed in Japan and the United States in the spring of 1920 and spread to Europe almost at once. The rise in the value of

the dollar and therefore of gold was rapid and considerable in the period down to June 1921, and currencies which had depreciated greatly in terms of gold when gold itself was depreciating now showed but little improvement or even further relative depreciation because they could not keep pace with the rise in its value. The commodity price index number in the United States, which had reached the peak of 272 in May 1920, as compared with 100 in 1913, had fallen to 148 by June 1921. The corresponding figures in other countries at the same dates were: Great Britain 306 and 183; France 680 and 376; Italy 856 and 641; and Germany 1,508 and 1,308. At the same dates the rates of exchange with the dollar were as follows: 3.85 and 3.78 dollars to the pound sterling, the gold par being 4.866; 6.9 and 8.1 cents to the franc; 5.1 and 5.0 cents to the lira, the gold par with the Latin Union countries being 19.3 cents; and 2.2 and 1.4 cents to the mark, the gold par being 23.8 cents.

So rapid was the appreciation of the dollar that even the Dutch florin and the Swiss franc, which at the beginning of 1920 were but little below par, were left behind for a while. The Swiss franc, however, completely recovered, and, indeed, rose to a slight premium by the end of 1921. The Spanish peseta suffered depreciation by one-third, from which it only partially recovered. The movements of the Belgian franc were at this period similar to those of the French franc. The currencies of Finland, Roumania, Greece, and Bulgaria suffered serious and rapid depreciation, but in different degrees. And since the fall in the value of many of these units was so great that it was certain that they could never be brought back to the gold par, the seal was set upon the final break-up of the Latin Union.

Collapse of the German mark

The end of the War found Germany seriously lacking in the means for supplying her people with the necessities of life and her industries with raw materials. She had a revolutionary government in control endeavouring to function under a new

constitution and was faced with fantastic demands by the late enemies of the country for the payment of Reparations. Before the new government had found its feet serious inflation had begun. There was a pause during the collapse of world prices in 1920 and 1921, and indeed between January and March 1921 the value of the mark was rising. But the Government had already embarked upon an ambitious scheme for the reorganization of industry with the aid of large State subsidies, and these were obtained in the first instance by the discounting of Treasury bills at the Reichsbank. The strength of the mark in the early part of 1921 concealed the danger, and but little effort was made to balance the budget. Very soon the great increase of the currency began to have its natural effect. Wholesale prices doubled themselves in the second half of the year, but the fall in the external value of the mark was much greater than this. Foreigners who had purchased marks and mark securities, out of confidence in Germany's recuperative powers, lost faith and sold them. Many Germans began to understand the significance of the immense figures of the floating debt and the note issue and exchanged their savings into dollars. The pound sterling, which would purchase 242 marks at the commencement of April 1921, was worth 780 marks at the end of December. But German industry was beginning to flourish and scarcely any of the leading industrialists said a word against inflation.

The German Government completely lost control of the situation during 1922. The very wide fluctuations which were occurring in the values of all currencies at that period had brought into the foreign exchange market a very considerable number of speculators. Germany, with a greatly impaired internal productive capacity, and making earnest endeavours to set her industry upon its feet, had a heavy import surplus. Comparatively small forward sales of marks sent the exchange down to a considerable degree, and each fall raised the price of all imported raw materials, which increased the Government's deficit and set the manufacturers discounting larger volumes of bills in exchange for notes. Speculators for the fall

of the mark began to find that their forward selling compelled the issue of that very additional supply of marks which they would require later to close their account at a profit. Thus throughout 1922 there were successive waves of depreciation with every gloomy turn in the deplorable Reparations controversy, and each one was followed by a rise of internal prices and an increase of the note issue. Doubtless had the Government been strong enough they might have stopped the printing-presses, but that would have precipitated an industrial crisis and would have entailed a heavy increase of taxation at a time of serious internal unrest. They were unable to face it. The exchange fell, slowly at first and then headlong in the autumn, in a succession of panic movements, to 40,000 to the pound.

Early in January 1923 the French Government, tired of the continual failure of all efforts to collect any substantial sum from Germany, sent an army into the Ruhr industrial area. This action precipitated a complete *débâcle* of the German currency. The sterling rate was 250,000 in May, 1 million in July, 50 millions at the end of August, 1,000 millions at the end of September, and in October was quoted at a variety of fantastic figures which bore no relationship to actual dealings, the latter having practically ceased. During this period the Reichsbank, afraid to refuse demands for currency, employed 13,000 printers of notes. Internal prices at times doubled and trebled themselves hourly, but neither the internal price level nor the note issue could keep pace with the rise of foreign currencies. By August the whole of the note issue was valued according to the exchange rates at no more than 10 million pounds sterling. Dollars were imported and used in circulation, the people refusing to hold their mark currency for more than a few minutes. Gold prices based upon the dollar exchange were used in wholesale trade but were forbidden in retail trade. Efforts made by the Government at restriction of exchange dealings completely failed.

The first step to reform was made when the Government offered for subscription 'gold loan' and dollar Treasury bills, the subscriptions being accepted in paper marks at the ruling

dollar exchange rate. In the middle of October 1923 small denominations of gold loan began to be put into circulation to meet the scarcity of currency, which was due to the fact that paper marks could not be printed fast enough. At the same time taxation was placed upon a gold basis, being payable in paper marks at the previous day's exchange rate. Early in November a new bank was established, the Rentenbank, with a capital of 3,200 million gold marks raised by the compulsory mortgage of certain lands and property. This Bank took over from the Reichsbank the task of financing Treasury bills, and thus the issue of paper marks ceased and the issue of Rentenmark notes began. The Rentenmark was accepted as a gold mark in payment of taxes, and the value of the paper mark was fixed at 4,200,000 millions to the dollar, which made one Rentenmark or gold mark equal to 1,000,000 million paper marks. The Rentenmark was not made convertible into gold, but a solemn announcement was made that it would not be over-issued and that steps would be taken to put the country's finances in order. At first commodity prices were much higher in Rentenmarks than appeared to be justified when comparison was made with prices in other countries. Later they fell considerably, then rose again, and there was a period of much uncertainty. The Reichsbank, however, carried out a policy of drastic credit restriction which caused a serious trade depression and much unemployment, but raised the internal value of the Rentenmark. And meanwhile the whole world accepted the Rentenmark as a gold mark and soon it was quoted at a slight premium even in terms of the dollar.

Early in 1924 a Gold Discount Bank was established with a capital which consisted mainly of a sterling balance in London. This Bank's operations in discounting mark bills at a fixed rate of exchange for gold currencies virtually provided convertibility for the Rentenmark into gold exchange. In the same year a new Reichsbank was set up to supersede both the old Reichsbank and the Rentenbank as the central bank of issue. This was in accordance with the recommendations of the Dawes Committee which had been set up to consider the Reparations

question, and of which more will be said later. The new Reichsbank was made independent of government control, and government officials were disqualified from membership of the General Council of the Bank. The capital of 400 million gold marks was raised to the extent of one-fourth from the assets of the old Reichsbank, the remainder being offered for public subscription. The general Council was to consist of seven German members and seven foreign members, the latter being British, French, Italian, Belgian, American, Dutch, and Swiss. The German members were appointed by the German shareholders and the original foreign members by the Reparations Commission, their successors being nominated by the remaining foreign members after consulting the central bank of the country represented.

The notes of the new Bank were made payable in gold coin, gold bars, or gold exchange, and provision was made for a minimum reserve of 40 per cent. in gold or foreign currency (not necessarily gold standard currency) of which at least three-quarters must be gold. The Bank was permitted to act as the Government's banker and to grant credits for three months up to a maximum of 100 million marks, but beyond this was to make no loans whatever to the State. Thus ended yet another historic orgy of inflation, during which it was estimated that public and private debts of the equivalent of £10,000 million had been shaken off. Germany was the first of the protagonists of the Great War to return to the gold standard.

Fall of the French franc

France had financed her war-time expenditure almost entirely by inflation and by borrowing. When the War ceased she embarked upon an extensive scheme of reconstruction of the property destroyed in the War, the cost being charged to a special account, the balance of which it was hoped to recover from Germany. From 1919 to 1923 loans were raised to cover the whole of this expenditure, and the total debt amounted by July 1924 to 280,000 million francs as against the figure of 33,000 millions at the end of 1913. The National Debt of Great

Britain increased elevenfold in the same period, from £711 million to £7,700 million, but the French National Debt, reckoned in gold, had been nearly double that of Great Britain in the pre-war period, and the income of the French people was much smaller than that of the British people and they were much less able to bear the burden. The franc, by the early part of 1924, had fallen to about one-fifth of its pre-war value in terms of goods, and to rather less than one-fourth in terms of the gold dollar. It had already become certain that unless France could shift a considerable portion of her debt on to Germany the value of the franc could never be permitted to rise to any appreciable extent.

During the discussions which led up to the Dawes Reparations plan in the spring of 1924, the relations between Germany and France showed considerable improvement and the gold value of the franc rose considerably. But now that it had become apparent that very large sums would not be received from Germany it became necessary to face the question of balancing the French budget. Throughout 1924 and 1925 successive French Governments endeavoured to find some means of raising the necessary revenue to close up the wide gap. Gradually it became clear both to Frenchmen and to foreigners that the taxable capacity of the French people had been reached and that a partial default was inevitable. The alternatives were a general reduction by a capital levy of the nominal amount of the debts or a measure of inflation. Between 1918 and 1924 the note issue of the Bank of France had increased from 31,000 millions to 40,000 millions, mostly during the boom of 1919 and 1920. During 1924 the French Government made repeated declarations against inflation, but, in view of their obvious difficulties in finding an alternative, the gold value of the franc gradually lost its early improvement. In April 1925 it was disclosed that the Government had secretly increased by 2,000 million francs its indebtedness to the Bank of France, and that for some time the actual note issue had exceeded by this amount the figure shown in the weekly returns. The maximum legal note issue was forthwith raised to 45,000 million francs.

This disclosure, curiously enough, did not cause any serious break in the international value of the franc, but there was a slow depreciation as the note issue climbed up to the new maximum, and in June the maximum was raised to 51,000 millions. During the next twelve months there was almost continuous discussion in the French Chamber, without any final agreement, as to the methods of securing budgetary equilibrium; and meanwhile deficiencies were continually made up by further increases of the note issue, which was soon permitted to rise to nearly 54,000 millions. There was undoubtedly considerable opposition throughout the country to any measures which would raise the burden of taxation upon industry, and this was fully reflected in the attitude of the Chamber. The intensification of trade depression in England following the restoration of the gold standard in May 1925 was already noticeable and was being commented upon in France. But by the spring of 1926 the continuous opposition of the Chamber to all measures for balancing the budget made it almost impossible to persuade any of France's leading statesmen to undertake the office of Finance Minister.

On the 31st May 1926 the Government of M. Briand appointed a committee of experts to conduct an impartial inquiry into the currency question. Almost immediately the Finance Minister, meeting with serious opposition, resigned, and M. Briand was compelled to reconstruct his cabinet. He appointed to the Finance Ministry M. Caillaux, a statesman of known financial ability, but one likely to meet with much opposition from several quarters. The experts worked rapidly, however, and were able to publish a report by the 3rd July. They emphasized the extreme importance of taking immediate steps to balance the budget, and outlined a plan for the stabilization of the currency in the meanwhile. They distinguished three periods in the process of returning to a gold standard: firstly, the pre-stabilization period during which movements of the franc would be controlled by the use of credits obtained abroad, the exchange with gold currencies being kept within certain limits; secondly, the period of stabilization in fact, during which the

Bank would acquire a large gold reserve, fix a rate at which stabilization could be most conveniently carried out and gradually bring the exchange to that rate; thirdly, the period of stabilization in law, when the permanent arrangements for securing convertibility of the currency into gold would be made. It was recognized that putting an end to inflation might precipitate a commercial crisis.

The French public read this last statement of the experts with dismay, and the Chamber listened in awed silence to M. Cail-
laux's outline of the stern measures necessary to restore French credit. For a fortnight he succeeded in maintaining his position, but on the afternoon of the 17th July a Bill promoted by the Government for giving the Finance Minister wide powers to carry out the experts' recommendations was rejected and the Government resigned. On the 18th a new Ministry under M. Herriot was formed, but was defeated on the 21st and also resigned. The following day M. Poincaré set about forming a Ministry.

When Great Britain returned to the gold standard in May 1925, the franc was quoted at about 92 to the pound sterling as against the pre-war figure of 25·225, and wholesale prices had risen to about 550 per cent. of the pre-war level. During the long-continued struggle over the budget there was steady depreciation, until at the end of 1925 the exchange stood at 129 and the index number at 633. After the appointment of the committee of experts, the franc became the prey of the speculator. Successive waves of depreciation carried it to 181 by the date of the publication of the report. While M. Caillaux was facing the Chamber it dropped to 200. On the resignation of the Ministry it fell to 220 and on the announcement that M. Herriot, whose financial soundness was mistrusted, would form a Government, to 245. These rates were far below the internal value of the franc, and it was clear that the speculator had taken command. There were serious fears that the mark collapse was to be repeated and the French people now became thoroughly aroused to the danger.

M. Poincaré took advantage of the situation to form a strong

coalition Ministry and to call upon the nation to co-operate with him in 'saving the franc'. The first vote in the Chamber gave him an overwhelming majority. The franc's external value rose in a few days to 160 to the pound. The financial measures recommended by the experts were proceeded with, taxpayers meeting the new demands with great willingness. Substantial repayments were made to the Bank of France, which adopted a policy of credit restriction and raised its rate to $7\frac{1}{2}$ per cent., an almost unprecedented rate for that institution. In October the appreciation of the franc was resumed and it rose in a few weeks to 122 to the pound. Signs began to show themselves of the anticipated trade depression and M. Poincaré began to be pressed for some information as to how far he intended to carry his deflationary plans. He stated at first that he intended to raise the value of the franc 'as far as possible', but by the end of the year trade depression was becoming so intensified that he announced that the franc would be stabilized for an indefinite period at between 122 and 123 to the pound.

Throughout 1927 and the first half of 1928 the franc was maintained at this level in relation to the pound, internal prices falling steadily during the whole period. On the 24th June 1928 a new gold franc was established by law at the rate of 124.21 to the pound and 25.52 to the dollar, the notes becoming convertible into gold at this rate, which was about one-fifth of their original gold value. Thus France rejoined the gold-standard countries.

The Italian lira

After the slump in prices in 1921, the Italian lira, though remaining inconvertible and without stability, did not depreciate further until 1925 when there was a substantial further internal inflation of the currency. During 1926 the Italian unit suffered from speculation in a similar manner, though not to the same extent, as the franc. The exchange with sterling at one period reached about 145 lire. In the summer of that year preparations began to be made for establishing a better control

of the currency and for ultimately bringing about stabilization. On the 1st July the note issues of the Bank of Naples and the Bank of Sicily were taken over by the Bank of Italy, which was made the sole bank of issue. In August Signor Mussolini announced that a stringent policy of deflation by withdrawing notes from circulation would forthwith be adopted. This was carried out steadily from that period until the end of 1927 by a gradual reduction of the Bank of Italy's commercial discounts and advances. The budget was balanced and, indeed, for two years showed a substantial surplus. The external and internal value of the lira steadily rose, but the rise was accompanied by the inevitable trade depression and fall of stock market securities which prompted many people to ask for an announcement as to how far the policy would be carried.

By early December 1927 the lira was quoted at less than 90 to the pound sterling. On the 21st December it was announced without warning that the lira would forthwith be made convertible into gold or gold currencies at a rate which made 19 lire exactly equal to the United States dollar, the sterling rate being 92.46 to the pound. A large reserve of dollars had been accumulated and, although the notes of the Bank of Italy were made convertible into gold bars or bills upon gold-standard countries, the conditions laid down were such as to secure that the value of the unit would be regulated rather through the exchange with New York than through the purchase and sale of gold.

Restoration of the international gold standard

Belgium stabilized her franc at 175 to the pound during the latter part of 1926 and restored convertibility into gold at that rate in 1927. Holland returned to the gold standard on the same day as Great Britain in May 1925. Sweden had already done so, Denmark followed shortly afterwards, and Norway during 1926. Czechoslovakia found itself on secession from Austria with a unit depreciated to about one-fourth its original value. During its first four years of separate existence the Czech crown suffered from violent fluctuations, but during 1922 and

1923 its value was raised by deliberate deflation and it was stabilized in 1924 at 30 crowns to the dollar. The Austrian crown, on the other hand, was the victim during 1921 and 1922 of inflation second only in degree to that which occurred in 1923 in Germany. The Austrian Government, charged with the administration of territory which was only a fraction of the old Empire, still maintained an administrative machinery of the old dimensions and, moreover, was conducting various State enterprises which showed a heavy annual loss. There was a serious budget deficit which was met by means of the printing-press, and by August 1922 83,000 crowns were worth one dollar. This rate was well below the internal value of the unit, the exchange speculator having been conducting his usual operations. The crown was stabilized in accordance with a plan framed by the League of Nations in October 1922. External loans were raised to cover the budget deficit for the next two years. A new bank of issue was set up from which the Government agreed not to borrow. A plan was formed to reduce expenditure and increase taxation. A Commissioner-General was appointed by the League to see that the scheme was carried out. In November 1922, with the aid of the foreign loans, the exchange with sterling was stabilized at about 350,000 crowns to the pound. By 1924 the budget balanced, and in 1925 a new unit, the schilling, based upon gold, was issued in exchange for 10,000 paper crowns. The reconstruction of Austria's finances was one of the outstanding successes of the League of Nations.

Thus, although the disappearance of the Latin Union may have been a disappointment to those who realize that in financial matters permanent international co-operation is essential if there is to be stability and steady progress, the restoration, by 1928, of the international gold standard seemed to afford grounds for considerable satisfaction. In bringing this about, too, there had been many encouraging examples of co-operation of a kind which the nineteenth century did not produce. It was generally recognized that a rise in the value of gold was undesirable and most countries therefore had refrained from putting gold into circulation. At an International Conference at Brussels in 1920

a resolution had been passed that in countries where there was no central bank of issue one should be established. This recommendation had been followed in most of the states set up under the Peace Treaties. The importance both nationally and internationally of a sound control of credit was generally recognized, and in amending their banking laws on returning to the gold standard most nations had studied the art of central banking in the light of the experience of the leading countries and had adopted the rules which seemed best suited to their circumstances.

In one respect, however, this very international co-operation sowed the seeds of weakness. To economize the available stocks of gold and to obtain a firmer control of the external value of their money in relation to gold-standard currencies, many countries, especially Germany, Austria, Scandinavia, Holland, and Italy, had adopted the plan of holding a part of their reserves in 'devisen', that is, balances in, or bills upon, other countries. Furthermore, commercial banks engaged in financing international trade had also developed greatly the system of holding balances abroad against which they could at any time buy or sell their own currency units. Of these international floating funds there was only a national control. In addition to this there was one international financial matter which continuously overshadowed international relationships—War Debts and Reparations.

War debts

Reference has been made elsewhere to the origin of the debt equivalent to about £1,000 million at the pre-war gold par, payable in dollars by Great Britain to America. France, Italy, Russia, and several other countries all borrowed from both Great Britain and the United States during the War and reconstruction periods. France's debts, with accrued interest, were about £600 million to Great Britain and \$3,341 million to the United States; Italy's about £560 million to Great Britain and about \$1,650 million to the United States; Russia's about £423 million of principal and an unknown amount of interest to Great Britain and a relatively small sum to the United States.

In August 1922 Great Britain announced, in a note addressed by the Earl of Balfour to all the interested parties, that while she was in favour of cancelling all the debts and was prepared if this were done to forgo her share of Reparations, if such an arrangement could not be made she would not ask more from her debtors than was necessary to pay her creditor. There was no response to this offer, and in December 1922 the British debt was funded on the basis of 3 per cent. interest until 1932 and $3\frac{1}{2}$ per cent. until 1983, annuities of about \$160 million and \$183 million being payable over the two periods.

Reparations

The story of Reparations begins with the Treaty of Versailles, under which it was agreed that Germany must pay for all damage done during the War to life and property of the civil populations of the Allied Countries. A Reparations Commission was appointed to assess the damage, and it fixed the figure in April 1921, after various other much higher demands had been put forward by the Allied Governments, at 132,000 million gold marks. In 1920, at a conference at Spa, the Allies had agreed upon the proportions in which the receipts should be shared, and when the Reparations Commission's total was announced a somewhat peremptory demand was made for the payment in September 1921 of 1,000 million gold marks.

Germany made this payment by raising short-term loans abroad, and the first efforts to repay these were followed by the collapse of the mark in 1922 and 1923, during which no payments were made and a French army occupied the Ruhr area. When the mark had been stabilized, late in 1923, the Reparations Commission appointed an expert committee under the chairmanship of General Dawes, to consider measures for balancing Germany's budget and for the payment of Reparations. The committee reported in April 1924, and recommended that Germany should be asked to pay, in the next five years, annuities commencing at 1,000 million gold marks and rising to 2,500 millions. From 1929 onwards annuities were to continue at the latter figure but were to be supplemented by

additional payments dependent upon Germany's ability to pay as measured by a complex statistical 'index of prosperity'. Germany was granted a loan of 800 million gold marks to enable her to complete the stabilization of the mark.

The defect of the Dawes Plan was that it failed to fix Germany's total indebtedness to the Allies or set a limit upon the period during which the annuities were to continue. In February 1929, therefore, a committee under the chairmanship of Mr. Owen Young, who had also been a member of the Dawes committee, was established to settle finally the scheme of Reparations payments. The committee drew up a schedule of annuities rising to a maximum, then diminishing, and finally terminating in 1988, the average annuity over the first 36 years being a little less than 2,000 million marks. A Bank of International Settlements was set up to receive the annuities and distribute them amongst the creditors in the proper proportions and in the manner likely to cause least disturbance of the exchanges.

France and Italy had both made debt-funding settlements with Great Britain and the United States in 1925 and 1926. In view of their currency and budgetary difficulties at the period when the settlements were made, and the fact that their negotiators sought to obtain the best possible terms rather than to make an agreement as between two parties of equal financial status, their settlements were distinctly less onerous upon the debtor than that between Great Britain and the United States. The capital value in January 1932, calculated at $4\frac{1}{4}$ per cent. interest, of the annuities France had agreed to pay Great Britain and the United States, were respectively 42.6 per cent. and 49.6 per cent. of the total debts. For Italy the equivalent percentages were 15.5 and 25.9, while Great Britain's agreement provided for annuities covering 82.3 per cent. of the total at this rate of interest.¹

By 1929 funding agreements had been made of all the international debts, and the ratification of the Young Plan left the position as follows: fourteen nations other than Germany were under agreement to make annual payments to the United

¹ *Economist*, Reparations & War Debts Supplement, 23rd January 1932.

States until the period 1984-7, and six nations, other than Germany and British Empire countries, were under agreement to make annual payments to Great Britain for the same length of time. Germany had agreed to make the annual payments mentioned above, which were to be divided amongst eight of America's debtors as well as Portugal and Japan. Taking all the agreements together, Germany, Czechoslovakia, Estonia, Finland, Hungary, Latvia, and Lithuania were debtors on balance, Germany's debt, of course, being overwhelmingly the greatest. The United States, France, Italy, Belgium, Yugoslavia, Roumania, Portugal, Greece, and Japan were creditors. Great Britain over the period was to receive about the same amount as she paid.

Germany duly made the payments required by the Dawes Plan and the first annuity and one-fourth of the second annuity under the Young Plan. Her total payments between 1924 and 30th June 1931 were 10,401 million marks. But during the first five years of this period Germany's economic position improved so greatly that large quantities of foreign capital flowed into the country. It was estimated that the influx amounted to 14,800 million marks. Thus foreign nations virtually placed at Germany's disposal the funds necessary to make the Reparations payments, and so long as foreign investment in Germany continued, the transfer across the exchanges was easily made.

The period of recovery, 1924-29

The Dawes settlement of 1924, followed as it was by a better understanding between France and Germany, inaugurated in most European countries a period of real recovery from the ravages of the War, while the United States continued to make substantial advances in prosperity. Between 1924 and 1929 production in Germany increased by one-third, in Belgium and France by 30 per cent., in the United States by 25 per cent., and in Canada by as much as 70 per cent.¹ The United Kingdom had only the modest increase of 12 per cent., mainly because her chief industries were suffering from ills peculiar to them-

¹ *League of Nations Year Book of Statistics, 1932.*

selves, ills which prevented those same industries in other countries from enjoying the common prosperity.

The increase of industrial production was not accompanied by an inflationary rise of prices; indeed commodity prices in most of the countries were slightly lower in 1929 than in 1924, but the increased volume of business was financed largely by an increase of credit. Between 1924 and 1929 commercial bank deposits increased in the United States 42 per cent., in Germany 64 per cent., in Canada 23 per cent., in Belgium and France, allowing for the change in their standards, by about one-third.

Meanwhile nation after nation was returning to the gold standard, each one adopting a new banking law requiring it to keep a minimum gold reserve. The reserve of the United States Federal Reserve Banks was well above the legal minimum and there was no reason, on the score of shortage of gold, for credit restriction in that country. French nationals had invested large sums abroad during the fall of the franc, and the Bank of France had taken over the proceeds in foreign currency of these investments when their holders had sold out after the stabilization of the franc. In January 1929 the Bank of France began to transfer these sums to France, which set up a serious drain of gold from London and caused credit restriction there.

There had been unwarranted rises in the prices of industrial securities in all countries during 1928, even in Great Britain where production was not at a high level. In the United States the future of most undertakings was discounted well ahead in the price of their shares. And during the first half of 1929 production in some industries, particularly the automobile industry, the steel industry, and the building industry, had been increased upon extravagantly optimistic estimates of future demand. There were signs of disequilibrium between the productive capacity of these industries and of others whose personnel was largely expected to absorb the increased output. Many people, both in America and Europe, began to predict a serious reaction from the boom, which in the stock market and in the

new investment market had now assumed a highly speculative character. The Federal Reserve authorities commenced in a somewhat fitful manner to restrict credit.

The stock market collapse of 1929

In September 1929 there was an almost general loss of confidence throughout the United States. A collapse of stock-market prices was accompanied by a rapid shrinkage of production throughout the country. During 1930 and the first half of 1931, commodity and industrial share prices fell in a succession of waves, the crest of each being below that of its predecessor. The international character of the investment market caused simultaneous collapses upon all the bourses of the world, and failure of confidence accompanied by falling commodity prices was an outstanding phenomenon in every country.

By the summer of 1931 the banks of central Europe, their funds locked up in mortgages and loans to failing industries, were in serious difficulties. The German banks were saved from complete suspension of payment by a 'standstill' arrangement, under which foreign banks and financial houses agreed not to demand payment for a definite period of their short-dated loans to German institutions. By this plan and by a severe restriction of imports and of the efflux of money Germany clung tenaciously to the gold standard. Her people still had vivid recollections of 1923. Similar exchange restrictions sprang up in many other countries whose gold reserves were threatened, and international trade shrunk in consequence to a mere shadow of its former self. In June 1931 Mr. Hoover, President of the United States, proposed a moratorium of one year for all the inter-governmental debts, including Reparations. There was a momentary revival of confidence and prices moved upwards; but the delay on the part of France in accepting the plan completely nullified the good effects.

Breakdown of the gold standard

Great Britain's suspension of the gold standard in September 1931 was accompanied by that of the Scandinavian countries

and the whole of the British Empire except South Africa. In most of these countries prices from that date ceased to fall, and although some further intensification of the depression occurred, it was small compared with that in the gold countries. At the end of 1931 prices in the latter countries had fallen about 30 per cent. since September 1929, and they continued to move downwards during 1932. Unemployment arose everywhere upon a very high scale. Producers of primary commodities, however, unlike manufacturers, did not immediately diminish their output when prices fell. Hence the stocks of their commodities piled up, and the fall of prices of primary products was much greater than the fall in the average price of all commodities.

Agriculturists throughout the world, for these reasons, suffered the most serious losses. Farms were allowed to fall into a dilapidated condition. Their value fell to almost nothing. Banks which had made advances upon the mortgage of agricultural property found nothing upon which to foreclose. In Australia, New Zealand, Canada, and (early in 1933) South Africa the pressure was relieved somewhat by the suspension of the gold standard. In the United States, with its immense gold reserve, a legacy of the War and the debt payments, the gold standard was maintained until the last moment. During 1932 efforts were made to raise prices by the creation of considerable volumes of credit on the part of the Federal Reserve Banks, which used it to purchase government securities. But in the absence of confidence amongst traders the money was allowed to lie idle in the member banks. By early March 1933 a very large number of the small banks were known to be in a shaky condition. A general withdrawal of gold developed, amid continuous propaganda for devaluation of the dollar and threats of serious disturbances by the farmers. On 5th March a four-days' bank holiday was declared and exports of gold were forbidden.

Thus in the face of the severest financial crisis the world had ever experienced in time of peace the gold standard ceased to function as an effective international standard. It had been

in existence for rather less than sixty years, during about one-fifth of which (1914 to 1926) it had been suspended. Though it was still in the experimental stage, the leading nations had come to regard it as providing the best international control of credit and had made but little effort to devise any alternative or subsidiary control. When it failed the world was left with the almost forlorn hope of international agreement upon some comprehensive plan to restore confidence as the only alternative to a blind faith in the beneficence of *laissez faire*.

PART III

MODERN SOCIOLOGICAL THEORIES

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THEORIES OF WEALTH

By A. E. FEAVEAREY

MERCANTILISM

Economics as a science

HE who sets out to reduce to systematic science the principles underlying the satisfaction of material wants is faced with special difficulties. He must deal with the activities of human beings, who believe that they exercise considerable freedom of choice in their behaviour, who are by no means consistently selfish, and who can never be fully relied upon to know in which direction their interest lies. They will seldom permit him to experiment with their affairs. It is impossible to take specimens for laboratory study, and if it were so this might produce a Robinson Crusoe economics of man out of relationship with society. The governing conditions in every problem are numerous, are often immeasurable, and seldom recur in the same order or combination. The statistical knowledge which alone can transform theories that are mere 'empty economic boxes' into instruments of precision for gauging the forces at work can be obtained only by a great expenditure of labour on the part of an army of workers, is often in the possession of persons who consider its publication to be against their interests, and when collected frequently has historical value only. Finally, when the economist is satisfied with his body of laws and turns them to the solution of present problems, he must not merely gain the respect of the politician and the legislator, but must educate a whole population, nay, sometimes a whole set of nations, to accept his proposals as being in the general interest. Is it possible to conceive of a science labouring under heavier handicaps, or one less likely to inspire effective action at the appropriate time?

The economist has continually to meet the criticism of those who say, with an early French writer, that he exerts an influence upon the course of events which is about equal to the influence of the grammarian upon the development of language. There

are two answers to such criticism. One is common to all abstract thought and teaching. From the centres of learning there flows a stream of knowledge which filters through the schools and the libraries into the thoughts and conversation of the masses of the people, correcting their judgements and shaping their actions in a million ways. It is as difficult to demonstrate the effect upon the welfare of the people of the discovery of Boyle's Law as of the enunciation of the Law of Increasing Returns. Yet no one doubts that it is in the highest degree useful to all classes that the study of physics shall proceed. The other answer is that in certain notable instances it is possible to trace with the utmost clearness the influence of a group of ideas promulgated by more or less abstract thinkers upon legislation and upon the well-being and activities of large numbers of people. It is with the growth and influence of these major doctrines that this section is concerned. It will not pretend to be a history of economic thought, but merely an account of those theories which have played the largest part in shaping economic policy.

The roots of mercantilism

In the mind of the student of economic history Europe emerges from darkness in the Middle Ages as a homogeneous mass of partly free, partly enslaved, peasants, satisfying almost all their wants by their own labour under the rigid control of feudal custom. There is but little specialized industry and therefore but little trade. Markets and fairs are held in which competitive trading proceeds under moderate regulation in a few specialized products of the towns. The buyers are the feudal overlords and their retainers. A small quantity of silver money is issued by the kings and the petty rulers, and circulates slowly in a narrow sphere. But the vast majority of the people are not concerned with money or exchange. They grow their own food, make their own clothes, build their own cottages and cattle-sheds, make their own furniture, and cut their own fuel. Even the wealthy receive their rents in labour or in kind. Apply to these times the greater part of modern economic theory and it

will not fit. The very terms Production and Distribution imply an organized heterogeneous society. Theories of wages, interest, rent, and profits are meaningless in the Middle Ages. The question of greater efficiency in production was a matter for the individual himself and was solely a question of industriousness or idleness. There was no notion of a community of interest in the quantity of wealth produced.

The impulse of the first really important change came from Italy. There was an economic renaissance as well as a renaissance of art and literature. Indeed, the former preceded and made the latter possible. In the thirteenth century the merchants of Florence and of other Italian cities took control of the trade of Europe. They made a specialized industry of the manufacture of woollen cloth. Not only in Italy but also in France and Flanders and at Constantinople they set up their factories. They travelled the pastoral areas of Europe in search of raw material. Such a business involved the use of money and a knowledge of many coinages. They became money-changers, dealers in bullion, and even masters of the mints of Flanders and England. They developed an international gold currency and instructed Europe in the use of bills of exchange. The commercial supremacy of the Italians hastened the change from a feudal to a money economy.

The Crusades had prompted the kings and the greater lords to accept money payments in lieu of labour rents. When the peasants began to grow wool in excess of their own needs to sell to the Italian merchants they received money in exchange. The upper classes found money rents even more acceptable than before, for with the proceeds they were able to buy the fine cloths, the wine, and the furs which the merchants brought with them. It became possible to levy taxes in money, and also to borrow money in large amounts from the Italian bankers. Armies no longer needed to live upon the plunder of the countryside. The first part of the Hundred Years' War was financed on the English side partly out of the proceeds of the wool trade and partly by such borrowing.

The Lombards seem to have reached the zenith of their

international influence by the middle of the fourteenth century. Nationalist reactions against their power were already growing. Native merchants of France, Flanders, and England began to bestir themselves. Edward III imported weavers to teach the English to weave their own wool, and broke off financial relations with the Italians. He encouraged the organization of the Staple to control foreign trade in wool, and a Statute of 1337 endeavoured to limit the export of raw wool or the import of woollen cloth. Flemish cities such as Bruges and Ghent increased rapidly in commercial importance, and organized staples of their own. By 1340 we find a regular rate of exchange quoted between Flemish and English currency. Proposals were put forward from Flanders for establishing a common monetary unit. The kings of England, France, and Aragon developed a gold currency for their merchants' use. The English currency, after remaining practically unchanged for over five hundred years, was the subject of several experiments in Edward III's reign and occupied a good deal of the time of his Parliaments. By the end of the fourteenth century a substantial part of both the international and internal economy of European countries was upon a monetary basis.

Now almost as soon as those nations of northern Europe who had for so long been content with a feudal economy began to base their activities upon money, they found that the supply of their chief money metal, silver, was inadequate. The few silver-mines of the old world were nearly worked out, and the new world was not yet discovered. Prices fell. No silver went to the mints, no new money was issued, and the money in circulation became seriously impaired by clipping and by wear. Kings, practically all of whom charged a seignorage upon their coinages, found that the revenue from the mints dwindled. Soon measures were taken by all countries to conserve the supply of silver they possessed and to attract to themselves silver from other nations. The peoples of Europe engaged in a struggle for the limited supply of precious metal, a struggle which lasted from the early part of the fourteenth century until some time after the discovery of America.

Bullion regulations

It is in these conditions that we can discover the beginnings of that group of economic ideas generally known as mercantilism. The term mercantilist has not been used in precisely the same sense by all writers. Adam Smith attached it to those people who would secure an influx of bullion by regulating the balance of trade. Others have been inclined to apply it to all theories which place money in too exalted a position. It will be as well perhaps if, following Smith's own practice, we avoid precise definition.

There have been three main reasons which have prompted people to advocate measures to encourage or to compel the importation of gold and silver. In some cases it has been a real shortage of money, hampering trade, lowering prices, and increasing the burden of rents and fixed charges. In others there has been a genuine belief that the wealth and prosperity of a nation depend upon the quantity of money circulating in the country. Others again have held the notion that since taxes are paid in money and a plentiful supply of bullion assures in all circumstances the power to purchase defensive weapons, the security and prestige of the sovereign are best provided for by drawing as much treasure into the country as possible. And it is not correct to suppose that any one of these motives has ever operated alone. Something of all three of them has usually been present, though at a particular period one may have predominated. The ordinary mercantilist desire for a regulation of the trade balance to increase the supply of silver appears again and again in the Middle Ages, two hundred years before the birth of Thomas Mun, the best-known English mercantilist writer. The notion that prosperity depends upon increasing the volume of money was much to the fore amongst the German Kameralists as well as the desire to increase the wealth and power of the sovereign, which is generally regarded as their special object. And whenever, in modern times, a nation has for one reason or another lost its gold reserves, all kinds of restrictive measures, medieval and modern, including regulation

of the trade balance, have been advocated for getting them back. The truth is that the essential idea of all three theories generally appears whenever what we now call economic nationalism is a force.

The shortage of silver for the mints in the Middle Ages prompted at the outset the simplest of measures. The export of the precious metals was forbidden under severe penalty, amounting in England at one period to the death penalty. This prohibition was adopted by practically all European countries, and continued long after the discovery of America and the beginning of the influx of immense supplies of silver from that quarter. Even Spain, to which those supplies flowed in the first instance, endeavoured to keep them for herself.

The prohibition of export, however, could not, with the inefficient organization available, be enforced in any country, and even if enforced it could not attract silver to make up losses from wear and clipping. More positive measures were called for. Herein lies the justification for the repeated reductions of the weight of the standard coins which are a feature of the currency history of all European countries at this period. They were made to offset the constant tendency of the value of those coins to rise as a result of the shortage of silver. But since they were not made at the same time in all countries or to the same extent, they resulted in first one country and then another draining silver from all the rest. Moreover, since by their very nature the changes in the standard must be sudden, they caused loss to many people and resulted, where the people could voice their grievances, in demands that the money should not be tampered with again.

Regulation of the trade balance

Hence yet other measures were sought for securing the supply of bullion, and in those measures we find the first tentative experiments in mercantilism. The problem which most nations had to face and the ideas popularly current for solving it are illustrated by the English monetary inquiry of 1382. The weight of the standard coins had been reduced in 1351 and

much discontent had been caused thereby, so that successive Parliaments had declared that this must not be repeated. Nevertheless the coinage was in bad condition and no silver or gold had been taken to the Mint for coining for many years. Five London merchants and goldsmiths were therefore asked to advise Parliament on several points connected with the coinage. One was: Why does no gold or silver come into England and why is the metal which is already in England carried out? They unanimously replied that to secure the former and prevent the latter the balance of trade must be regulated. 'I maintain', said Richard Leicester, one of them, 'that it is because the land spends too much in merchandise, as in grocery, mercery, and peltry, or wines, red, white, and sweet, and also in exchanges made to the court of Rome in divers ways. Wherefore the remedy seems to me to be that each merchant bringing merchandise into England take out of the commodities of the land as much as his merchandise aforesaid shall amount to.' 'If the merchandise which goes out of England be well and rightly governed,' said his colleague, Richard Aylesbury, 'the money that is in England will remain, and great plenty of money will come from beyond the sea, that is to say, let not more foreign merchandise come within the realm than to the value of the denizen merchandise which passes out of the realm.'

Here, at any rate, was the method advocated by the later mercantilists for securing an influx of bullion, though the motives were not quite the same. The fourteenth century had to face a definite shortage of money, and there was good reason for wishing to attract silver to the country. In the seventeenth century silver was plentiful, and the theorists of that period clearly believed that an increasing supply of precious metal meant increasing prosperity. At the same time, even in fourteenth-century petitions we frequently meet statements to the effect that the efflux of money was 'to the great damage of both the Lords and the Commons and the impoverishment of the whole realm', or complaints that 'the treasure of the kingdom' was being drained away.

The ideas current in the reign of Richard II gave rise to

various measures. The old statutes prohibiting the export of coin or bullion in any form were re-enacted again and again; and some of them continued to be law down as far as the year 1819. Efforts were also made to compel merchants bringing goods to sell in England, or taking English goods away with them, to take to the Mint a proportionate amount of silver or gold. For every pound of cloth of gold, of silk, kerchiefs, pearls, jewels, and furs brought into the country, and for every pound of wool, leather, or woolfells exported, silver or gold to the value of 12*d.* was to be taken to the Mint. Several statutes of this kind were enacted in the late fourteenth and early fifteenth centuries. They caused considerable inconvenience to merchants and there were many complaints. Gradually they fell into abeyance by not being enforced.

Since at this time most of the imports into England were luxury goods, one or two laws were passed to restrict the use of such goods. No one was to wear pearls, furs, cloth of gold, ribbon of gold or silk whose income was less than £40 a year. Measures were taken to regulate the transmission of funds by means of bills of exchange. At one time the use of bills of exchange was made wholly illegal. The annual payment to Rome was a source of considerable concern. Every merchant who sold a bill of exchange to the Pope's collectors was to purchase within three months English goods of equal value, upon pain of forfeiture of the amount.

The English Statutes of Employment

But the statutes which aimed most directly at the regulation of the balance of trade were the long series called the Statutes of Employment. In 1390 it was enacted that every foreign merchant who brought goods into England was to employ one-half of the proceeds in the purchase of English goods. In 1402 another statute required the whole of the proceeds, less reasonable expenses, to be so used; and in 1404 this was re-enacted and the merchants were required to give surety to the customs officers on entering the country for carrying out the provisions within three months, and were meanwhile to live only at

authorized places. Acts of this kind, with some variation of the terms, continued to be passed from time to time throughout the fifteenth century. So far as they were enforced they did not cause as much inconvenience as might be imagined, because at that period the same merchants were generally exporters as well as importers, and many of them could, no doubt, comply with the law with but little difficulty. None of these measures, however, availed much to increase the supply of money.

They were typical of those of all European countries, and the ideas at the back of them changed but little throughout the fifteenth and sixteenth centuries. Sir Thomas Gresham in 1560 risked the death penalty in smuggling silver concealed in bags of pepper from Flanders for Elizabeth's recoinage. In 1601 a Royal Commission was asked to report concerning 'the preservation and augmentation of the wealth of the realm', which meant the bullion and coin of the realm. They replied that lack of money was due to 'the over-balancing of foreign commodities imported above our home commodities vented out', and 'the not making of a number of foreign commodities within this realm having opportunities of doing so'. 'It is the general opinion', said Sir Thomas Roe in the House of Commons in 1640, 'that the trade of England was never greater, but it does not follow that the kingdom is rich and prosperous judging from the abundance or scarcity of money. Gold and silver are very scarce and the kingdom impoverished.'

Although after the discovery of America plentiful supplies of gold and silver came to Europe, nations still periodically suffered from shortage of coin. Clipped and worn coins were not regularly withdrawn from circulation, and the currency often became debased and depreciated, so that bullion ceased to go to the Mint. And although measures such as the Statutes of Employment fell into abeyance, restrictions upon the export of bullion and coin continued to be enforced.

Thomas Mun

Thus we see that when Thomas Mun wrote his much-quoted work, *England's Treasure by Foreign Trade*, it had been realized

for more than two centuries that one way, if not the best way, to secure an influx of the precious metals was to manage the balance of trade, and we see also that there was a decided tendency in many people's minds to identify a nation's prosperity with the possession of ample quantities of the precious metals. Readers of Adam Smith must not permit him to raise up in their minds a notion of Mun as the arch-mercantilist. He was a mercantilist in an age of mercantilists, and the purpose of his book was not to promulgate mercantilism, but to show the futility of its present method and to suggest a better.

Mun became a director of the East India Company in 1615 at the age of 44, and spent the rest of his life in promoting its interests. He published a pamphlet in 1621 defending the East India trade and advocating freedom for the export of silver. He drew up a petition to Parliament in 1628 on behalf of the Company, putting forward similar views. His principal book is merely an expansion of the doctrines contained in these early writings and, though written probably between 1635 and 1640, was not published until 1664, some years after his death. It has gained notice because it contains a clear and able statement of the central mercantilist idea. 'The ordinary means, therefore, to increase our wealth and treasure is by foreign trade, wherein we must observe this rule, to sell more to strangers yearly than we consume of theirs in value.' This and similar passages are quoted by every writer on economic doctrines.

But in fact Mun's object was to secure the repeal of the laws which prohibited the export of silver. He was arguing the case for the East India Company. England's principal export was woollen cloth, and the natives of the East wanted but little of that commodity. They were willing, however, to take unlimited quantities of silver in exchange for the eastern luxury commodities which were becoming so popular amongst well-to-do English people. Mun argued that if his company were allowed to export silver in the first instance, they would develop a trade the profits of which in the long run would bring far more bullion to England than they exported. He likened the

export of silver to the sowing of seed, which would spring up and bear fruit a hundredfold. The theory is not well worked out; indeed, if Mun had endeavoured to give a logical exposition of it he would probably have found himself expounding the full theory of free trade. As a mercantilist he displays a tinge of liberalism at every turn. 'The Spanish treasure cannot be kept from other kingdoms by any prohibition made in Spain.' 'The observation of the Statutes of Employments to be made by strangers cannot increase nor yet preserve our treasure.' 'They that have wares cannot want money.' Any of these sentences might have been written by Adam Smith himself.

Feeling against the laws which prohibited the export of silver grew as the seventeenth century progressed, and in 1663 a statute with the significant title 'An Act for the Encouragement of Trade' was passed permitting the free export of the precious metals in any form except English coin. Thus Mun, who has been regarded as the principal English mercantilist, was the leader of an agitation which resulted in what was really the first measure of free trade.

Other mercantilists

Mercantilist notions were held generally in the fourteenth and fifteenth centuries as well as in the seventeenth, but written records of them, as of all other ideas, are few and fragmentary. When writers began to discourse more fully upon economic matters, however, almost all of them at first held the mercantilist doctrine. Besides Mun, there was Antonio Serra in Italy, who published, in 1613, *A Brief Treatise on the Causes which make Gold and Silver abound in Kingdoms where there are no mines*. He held that manufactures were more important than agriculture, because the trade to which they gave rise brought bullion into the country. In France, two years later, Montchrétien de Watteville, in a *Treatise on Political Economy*, advocated the control of industry by the State so that it might be directed to the encouragement of exports and the development of colonies. Sir William Petty (*Essays in Political Arithmetic*, 1655), Sir William

Temple (*Essay on the Trade of Ireland*, 1673), and Charles Davenant, in various essays on trade published in the last years of the century, all believed to a greater or less extent in working for a 'favourable' balance of trade.

Early economic nationalism

It must not be supposed that these writers, so far as they were mercantilists, had much influence upon policy. They merely put into form and systematized the prevalent notions of their times. What Adam Smith and other writers have called the mercantile system grew up with the development of virile nationalities. The ideas behind it included mercantilism, but they included also all those other simple notions which arise naturally in the minds of shallow-thinking, and even many deep-thinking, people imbued with a strong patriotism in an age of keen national rivalry. In short, mercantilism in practice is seldom if ever more than a part of what is known as economic nationalism. The development of all and any industry within the country is encouraged, regardless of its efficiency and suitability, because industry makes a nation strong and provides revenue for the State. Colonies are administered, or if they have self-government are expected to administer themselves, to provide foodstuffs and raw materials for the mother country and to furnish an easy market for her manufactures. The shipping industry is fostered, if necessary with subsidies, because the freights bring money to the country and because it provides potential warships and a training-ground for the navy. Mercantilism, which would discourage imports to make gold and silver flow in, is joined with protectionism, which discourages imports to protect home industries. The very slogan so common amongst modern protectionists, 'Buy home-produced goods and keep your money in the country', is pure mercantilism.

The first signs of the growth of economic nationalism have been noticed in the fourteenth century. The process was slow during the fifteenth, but in England under the Tudors it made rapid headway, reaching its height in the reign of Elizabeth. The ideal which Elizabeth and her statesmen attempted to

realize for England bears many resemblances to that set up in modern times in many European countries. Security, stability, as large a measure of independence as possible, and the simultaneous development of all industries, were the principal features. It was conceived to be the duty of the State to regulate everything to conform with this general scheme. The sale of corn was controlled to secure a steady output at a reasonable price. The importation of foreign fish was prohibited and the observance of Lent made obligatory to encourage English fishermen. Patents were granted giving a monopoly of the production and sale of a wide range of manufactured commodities under specified conditions; and the importation of similar foreign goods was prohibited. English shipping was encouraged by charging heavier dues upon foreign vessels. Foreign trade was placed in the hands of companies, each having the sole right to trade in one area, such as the Merchant Adventurers, the Muscovy Company, the East India Company, and the Hudson Bay Company. Wages and conditions of employment were regulated by statute, and the poor and the unemployed provided for. Everything was adjusted with a careful eye upon the balance of trade, for Cecil was an orthodox mercantilist. 'It is manifest', he said, 'that nothing robbeth the realm of England but when more merchandise is brought into the realm than is carried forth. . . . The remedy hereof is by all policies to abridge the use of such foreign commodities as be not necessary for us.'

Colbertism

The mercantile system was developed to even greater completeness in France in the seventeenth century by Louis XIV's great finance minister Colbert. So consistently were its principles followed that mercantilism was called in France and Italy Colbertism. In 1667 a comprehensive high tariff was introduced upon practically all imports, and under its protection the State set out to control and develop with the greatest intensity every conceivable manufacturing industry. To make food cheap an export duty was placed upon corn, and agriculture was thus sacrificed in the interests of manufactures, which

were considered to be more conducive to the growth of a strong exporting nation. Colbert set out to manufacture in France all the products for which other nations had made themselves famous. French ambassadors abroad were ordered to seek out the skilled work-people of each country and send them to France. There they taught the French people to make the finest tapestry, lace, steel, glass, pottery, carpets, ribbons, in short, as far as possible every commodity which had hitherto been imported. His control of the factories extended to the minutest detail, dictating the hours of work, the technical processes to be followed, and even the diet and amusements of the work-people.

His efforts, however, to found chartered companies after the model of the Dutch and English East India Companies was a failure. In Holland and England a trade had existed before the companies were formed, and the State merely gathered the merchants together and regulated them. In France, Colbert was faced with the necessity of raising the capital and creating the trade. The credit of the French Government was low and capitalists were shy of subscribing. Colbert made forced levies upon them, persuaded the King and members of the royal family to subscribe, and began to pay dividends; but all was in vain. Five or six efforts to float such undertakings failed within a short period.

Kameralism

The German States had their counterpart to mercantilism and Colbertism, differing in some respects owing to differences in the circumstances of the people amongst whom it developed. In the seventeenth century they were far behind Holland, France, and England in commercial and industrial development. The Thirty Years War, during which, in addition to religious and civil strife amongst the German people themselves, the country suffered invasion from two or three quarters, left whole areas waste and depopulated. The period of peace and reconstruction which came in the second half of the century gave rise to the exhaustive study in true German fashion of the principles upon which strong and prosperous States are built.

At Vienna, at Innsbruck, at Strasbourg and Mainz university professors were encouraged by the ruling princes to give their attention to the means by which the State finances might be made to flourish. Their theories are distinguished from English mercantilism chiefly by the fact that their main concern was the revenue of the sovereign. The medieval German word *Kammer* had almost the same meaning as the English word *Exchequer*—the royal Treasure chest—and the writers who expounded the principles whereby this chest might be kept well filled became known as Kameralists.

The Kameralists believed in attracting bullion to the country and in regulating trade for this purpose. They shared with Colbert and with Tudor administrators a belief in the importance of the detailed regulation and control of industry, of markets, and of internal as well as external trade. They were strongly nationalist, holding that the first object of economic policy must be to outstrip other nations in wealth and therefore in power. Von Hornig, one of the leaders, gave his book the title *Austria above all, if she only will*. Kameralism, however, had a wider scope than its French and English counterparts. It concerned itself with the efficiency of production and gave much time to the study of agricultural science, of mining, and of the technical details of industry. Much stress was laid upon encouraging the growth of population and upon the training of craftsmen.

Contemporary with Von Hornig was Johann Bechers of Mainz, who published his *Political Discourse* in 1667 and whose views are perhaps more exclusively mercantilist than those of the other writers. Von Hornig, Bechers, and one or two others are the seventeenth-century representatives of the school. They were followed in the early eighteenth century by the academic Kameralists, Gasser of Halle University, Dithmar of Frankfort (Oder), Daries, who published in 1756 a treatise entitled *First Principles of Kameral Sciences*, and Justi (*Staatswirtschaft*, 1755).

The connexion between abstract theory and practical policy is more clearly traceable in Germany than elsewhere. While these writers flourished the rulers of the German States were

setting up a system which bore the leading characteristics both of the English commercial system and of the schemes of Colbert. The export of raw materials and the import of manufactured articles were either prohibited or permitted only on payment of heavy duties. The development of the textile industries was forced either by the establishment of State factories or by the payment of bounties to private workers. Under Frederick the Great coal and iron mining and the manufacture of iron and steel, silk, linen, and cotton goods were encouraged by granting easy credit, cheap raw material, freedom from tolls and taxes, and by using political influence to secure a market for the produce.

'Scientific' protectionism

In England in the seventeenth century the mercantile system underwent a change, and its object became more and more indistinguishable from that of ordinary protectionism. A reaction arose against internal control by the State. The patents and monopolies were abolished and every one was left free to produce what goods he pleased. But foreign trade was regulated by a system of bounties, export duties, prohibitions, and import duties of a most complicated description, in short, by a 'scientific' tariff. Few better accounts of this policy exist than that given by Adam Smith.¹ The import of raw materials, particularly from the colonies, was encouraged either by permitting them to enter free of duty while other things were taxed, or by giving a bounty upon import. The import of foreign finished articles and the export of raw materials or semi-finished goods were severely restricted. Thus an import duty was charged upon foreign linen articles, out of which a bounty was paid upon flax and hemp imported from the colonies and upon British-made linens exported. Foreign linen yarn was permitted to enter free and also dyestuffs and other articles used in the linen manufacture.

The woollen industry was protected even more completely. The importation of foreign woollen cloth was prohibited, and

¹ *Wealth of Nations*, Bk. IV, c. viii

also the export of live sheep and raw wool. And, to enable the law to be more easily enforced, raw wool was forbidden to be transported within the country in boxes or cases, but must be packed in leather or pack-cloth and marked on the outside with the words 'wool' or 'yarn' in three-inch letters. There was a penalty for moving wool within five miles of the coast at night and a further penalty was laid upon the inhabitants of the district which permitted it to be moved. The trade in fuller's earth, woollen yarn, and worsted was placed under similar restrictions. Even undyed cloths were subject to an export duty.

Upon the same principles the export of raw hides and tanned leather, of watch and clock cases, dial plates, gun metal, and bell metal, and of any instruments, machines, or utensils made use of in the textile industries was prohibited; while dyestuffs, lead, tin, coal, skins of all kinds, and hair were subject to export duties. Imports of practically all foreign manufactured articles were either prohibited or were charged with a heavy duty.

The Navigation Laws

The system was completed by the Navigation Laws for the encouragement of the shipping industry. The first Navigation Act had been passed in 1381, giving a monopoly of the export trade to English vessels. It broke down because there were not sufficient vessels to cope with the trade, but was re-enacted in various forms later. The most important law of this kind, however, was that passed by Cromwell in 1651, which was aimed directly at the Dutch carrying trade, and which immediately caused a war between England and Holland. It provided that no goods whatever of the produce of Asia, Africa, or America should be imported into England or the colonies except in English ships with predominantly English crews. Goods produced in Europe were to be imported only in either English vessels or the vessels of the country from which they came. The Act was modified by a statute of Charles II, which applied the second part, relating to European trade, only to a number of scheduled commodities, but the schedule contained most of the important articles of commerce.

The Acts remained unrepealed until 1849, but they became very largely a dead letter after 1823, when the Reciprocity of Duties Act enabled the Government to make treaties with other nations granting freedom for their shipping in British ports in return for reciprocal advantages.

Results of mercantilism

It is exceedingly difficult to estimate the results of mercantilism. There can be no doubt that often the establishment of what are afterwards to become highly efficient industries awaits the stimulus of State aid and encouragement. The English in India, in Egypt, and in East and West Africa, the Dutch in the East Indies, the French in Algeria, the Americans in the Philippines, have shown time and again that just such measures as Colbert used in France can raise up productive capacity which in time ceases to need protection or State assistance. But it seems clear that this is only possible where strongly favourable natural conditions are present from the outset. It is easy to point to the English woollen industry and offer thanks to Edward III for importing Flemish weavers; or to the English mercantile marine and give praise to the Navigation Acts. But would not the woollen industry have been established in any case, when England, in the fourteenth century, became a trading nation, having regard to the fact that that country was already the main source of raw wool? And would not the English in any case, surrounded by water and amply supplied with first-class harbours, have become a seafaring nation? It would not be difficult to cite a hundred examples where State assistance has failed to do more than raise up a poor weakling of an industry, entirely dependent upon artificial support. A government can establish almost any industry if it is prepared to pour sufficient money into it, either taxpayers' money in the form of a subsidy, or consumers' money behind the shelter of a tariff. But the test which is applied by the economist as distinct from the politician is: Will the industry ever stand alone? Only when the answer is in the affirmative is he prepared to justify Colbertism.

LAISSER FAIRE

Scope of the doctrine

IN tracing the growth of reaction against mercantilism, and the development and influence of the belief in freedom from State interference, we do not find that the writers who are most important in this respect necessarily have equal importance in the general history of the evolution of economic science. In Germany the Kameralists themselves went far in the direction of founding a separate study of economic matters apart from philosophy, religion, politics, jurisprudence, and other departments of thought with which amongst early essayists economics had been mixed; and much of modern German economics can be traced to their influence. On the other hand, in France there was scarcely a writer of importance at all until dissatisfaction with Colbertism inspired the Physiocratic economists; whilst in England, Adam Smith, the founder of English economics and writer of the first complete treatise on the subject, whose influence both in extending the study of the science and in propagating the belief in non-interference has been greater than that of any other writer in any country, was both preceded and followed by writers who had very great influence upon the development of general economic theory but very little in exposing the weakness of mercantilism.

Opposition to mercantilism may assume, intellectually, two principal forms. It may be a disapproval of State interference with some part of human activities while admitting the reasonableness of interference in other directions; for instance, a person may advocate freedom of trade while accepting the regulation of wages. Or it may be a full-blooded belief in the evil of all interference, in the ultimate beneficence of unrestricted competition, and in the final establishment of a natural order, under which the greatest happiness will be achieved. In England, by the end of the seventeenth century the State had ceased to regulate wages or prices, to establish monopolies (with the single exception of the Bank of England), or to manage internal production and trade. In France, however, Colbertism

still lived. The great minister himself was alive until 1683 and much of his system continued after his death. The reaction in that country, therefore, rapidly took the shape of an opposition upon systematic principles to every form of interference. It is important to remember that a belief in free trade is not necessarily a belief in *laissez faire*.

Breakdown of mercantilism

Faith in the narrower doctrine of the regulation of the balance of trade and of the supreme importance of the precious metals commenced to fail as soon as discussion began of the nature of wealth and of the process of production. Gradually it came to be realized that the object of economic activity was not to obtain money, that even for individuals the increase of monetary income was merely an intermediate object, the final end being the satisfaction of wants. Utility, the capacity to satisfy a want, became the test of wealth, not its value or its rareness. The efficiency of production became of vital importance to the people, to the community, and to the Government. Simple mercantilism did not live long in the face of these ideas.

David Hume

A few glimmerings of the truth that a nation's prosperity does not depend upon the quantity of money in the country appear in the writings of Sir William Petty, Charles Davenant, and other essayists of the latter part of the seventeenth century. We may pass these over and turn at once to David Hume. The student who commences with Adam Smith and the other classical economists, and dips into Hume's essays later, is completely surprised to discover how advanced his ideas were. Upon some matters, for instance upon currency, he was sounder than Smith. Upon mercantilism and the balance of trade he was far ahead of any previous writer. He attacked with great force the idea that the quantity of money in a country was of vital importance, and showed that it might be allowed to look after itself. 'I should as soon dread', he said, 'that all our springs and rivers should be exhausted as that money should abandon

a kingdom where there are people and industry.' He poured scorn upon those people who were continually producing statistics to show that the balance of trade was adverse and that the nation was being drained of its wealth. On the question of non-interference he is not, indeed, entirely consistent. Though quite definitely not a mercantilist, he shows in one place a leaning towards protectionism. 'A tax on German linen encourages home manufactures and thereby multiplies our people and industry.' Yet he complains that politicians 'adopt a hundred contrivances which serve to no purpose but to check industry and rob ourselves and our neighbours of the common benefits of art and nature'. 'Could anything scatter our riches it would be such impolitic contrivances.' And he concludes with the bold statement: 'I shall therefore venture to acknowledge that, not only as a man, but as a British subject, I pray for the flourishing commerce of Germany, Spain, Italy, and even France itself.'

Adam Smith

Hume's essays *Of the Balance of Trade* and *Of the Jealousy of Trade* were written between 1749 and 1751. Adam Smith, who was born in 1723, was from 1737 to 1740 attending lectures at Glasgow University given by Francis Hutcheson. The latter held the chair of Moral Philosophy, and under this title dealt widely with economic matters. His *System of Moral Philosophy*, published in 1755, shows clearly his influence upon Smith in very many respects. From 1740 to 1746 Adam Smith was at Oxford, but little is known of his work there. He returned to Scotland and lectured in Edinburgh, at first on English literature and later on rhetoric. In 1750 and 1751 Smith was advocating natural liberty and freedom of trade in his Edinburgh lectures, while Hume, who was twelve years his senior, was preparing his essays for the press in the same city. It is highly probable that their ideas were running upon parallel lines before they met. There is no doubt that Adam Smith was greatly impressed by Hume's essays as soon as he read them. He quotes them several times and expresses his admiration of the author. They were in close personal touch from 1752 onwards.

Smith followed Hutcheson in 1751 as professor of Moral Philosophy at Glasgow, and stayed there until 1764. From 1764 to 1766 he travelled the Continent, spending ten months in Paris, where he met Turgot, Quesnay, and the whole Physiocratic circle. It was during this continental tour that he commenced to write the *Wealth of Nations*, and the book was completed in about seven years, though not published until 1776.

The Physiocrats

Before proceeding to consider Adam Smith's position, it will be as well to glance at the theories of the Physiocrats, who preceded him in point of time and who indeed went much farther than he ever did in opposing State interference. Their leader was Quesnay (1694-1774), physician at the court of Louis XV, who gathered around him for discussion and elaboration of his doctrines a school of disciples: Mercier de la Rivière and Le Trosne, who were lawyers, Mirabeau the elder, father of the Revolutionary orator, Dupont de Nemours, who later played a considerable part in the Revolution, and some others. Turgot, the celebrated liberal minister of Louis XVI, held very similar views, though there were important points of difference and he did not regard himself as a member of the school.

Quesnay was undoubtedly the originator of the central doctrines of Physiocracy. His own writings were scanty, but his views were recorded, arranged into a complete system, and published to the world in several comprehensive works, by his disciples.¹ They added little original thought of their own, but were extremely active in propagating the views of their leader. During the period from about 1760 to 1774 they commanded great respect in the highest circles. They lectured not merely to the French court but to many of the other rulers of Europe. Discussion of their principles became fashionable. The Em-

¹ The following are the most important Quesnay's contributions to the *Grande Encyclopédie* (1756 and 1757), his *Tableau Économique* (1758), and *Maximes Générales du Gouvernement économique d'un Royaume agricole* (1760); Mercier de la Rivière, *L'Ordre naturel et essentiel des Sociétés politiques* (1767); Dupont de Nemours, *Physiocratie, ou Constitution essentielle du Gouvernement le plus avantageux au genre humain*.

press Catherine of Russia, Joseph II of Austria, and other potentates became acknowledged disciples.

Physiocracy was an attempt to light the way to a statesman-like and peaceful removal of the evils from which France was suffering in the pre-Revolution period. The system of Colbert had never been abolished. It had degenerated into something far worse. The genuine attempt to make France wealthy and powerful by the artificial forcing of export industries and the restriction of imports had been followed by a multiplicity of imposts and impediments to trade, the main purpose of which was the provision of funds for a degenerate and corrupt court. The taxes were farmed by unscrupulous taxgatherers, and bore with especial severity upon the peasant, already overburdened with rent, while a part of the yield was still used under the effete mercantile system to subsidize manufactures and exports.

The Natural Order

The basis of Physiocratic economics was a philosophy which held that there was a natural order of society which would establish itself automatically, as water finds its own level, if permitted to do so. The *ordre positif* was the existing condition of society, brought about by the blundering and unwarranted interference of governments. The *ordre naturel* was the condition of society which would establish itself if these interferences were removed. Look where you would you must reach the conclusion that natural forces working alone tended to the establishment of a happier society, indeed of the happiest society which man could hope to see. Rousseau was preaching the doctrine of the superiority of the state of nature, the supreme right of man to be free, and the viciousness of existing laws, including the laws of property, which restricted this freedom. The Physiocrats held that man, in leaving the state of nature and adopting the laws of property, had been impelled forwards by forces which were a part of those tending towards the establishment of the *ordre naturel*. To secure to a man the use of what he had produced was natural. They believed in property.

Property, security, and liberty constituted the whole of the social order. Given these and these only, the natural order would inevitably follow. The function of the economist was 'to search out the simple forces whose action, always combined with, and sometimes disguised by, local circumstances, directs all the operations of commerce, to recognize those special and radical laws, founded in nature itself, by which all the values existing in commerce are balanced against each other, and settle at last into a fixed value, as bodies left to themselves take their place according to their specific gravity'. The function of the statesman was to protect property, which was a part of the natural order, to afford security for the individual and for society, and to preserve freedom. Granted these, the individual, who was the best judge of his own interests, should be left to pursue them without interference. Hence the formula adopted with enthusiasm by all of the Physiocrats: *laissez faire, laissez passer*.¹

Biological science scarcely existed, but Quesnay seems to have had some elementary notions of animal evolution. He had published in his early days a work on 'animal economy', in which he studied the community organization of the bee, the ant, and the beaver. According to Dupont de Nemours this led him to believe 'that natural law extended far beyond the bounds hitherto assigned to it'. In England the development of the evolutionary doctrine and the principle of natural selection ultimately resulted in the setting up of an organic theory of society. Human communities came to be regarded by Herbert Spencer as moving inevitably, by the action both of forces working within and of forces impressed upon them from without, towards a higher state of organization, just as the lower animal organisms had developed into more highly organized and efficient species. The beginnings of organic sociology were contained in Physiocracy.

But to regard society as a living organism, subject to all the forces which are summed up in the term evolution, is apt to

¹ Its origin was doubtful even in their time and caused some controversy amongst them.

carry one on to a deterministic philosophy. The Physiocrats were by no means determinists. Man was free to interfere. The natural order, if established, would be for the inestimable benefit of mankind, and, with tremendous optimism, they believed that it would establish itself, but only if man did not interfere, if the principle of enlightened self-interest were allowed free play.

The net product

Apart from their belief in the natural order the Physiocrats as economists had a second distinguishing characteristic—the singular importance they attached to the extractive industries. They were in reaction, we must remember, against Colbertism, which exalted manufacturing industry, particularly the industries producing for export, above all other economic activity. Their leader was a landowner. He had studied the agricultural revolution which was proceeding in England, the rotation of crops, the improvement of the breeds of cattle and sheep, the use of roots and clovers. He and his followers conceived the idea that agriculture, with perhaps mining and fishing, was the only productive industry. It alone added to the material wealth of the community by producing more than it consumed. They did not quite fall into the error of supposing that in agriculture matter is actually created. But they held that in that industry nature was labouring as well as man, whereas in other industries man simply took so much material and altered it. Thus agriculture produced more wealth than was needed to replace the materials used and to support the people engaged, and was able to pass the surplus or net product, as the Physiocrats called it, on to the ‘sterile classes’, that is, all other people, however they lived, including the landed and governing classes. These had no net product, but, between them, merely replaced what they consumed in materials.

Quesnay published a diagram, called the *Tableau Économique*, illustrating in a striking manner his conception of the division of the net product. He and his followers pointed out to the kings and ministers who listened to them and read their works that the tender care they had given to manufactures and commerce

were entirely misplaced. If they wished to remove the evils from which their kingdoms were suffering, indeed, if they hoped to continue to receive sufficient revenue to live as they were living, they must encourage and nourish the agriculturist, for, said Quesnay: 'Poor peasants, poor kingdom; poor kingdom, poor king.'

Upon these two basic ideas of the natural order and the net product the Physiocrats based a more or less complete system of economics. They called themselves 'the Economists'. The name Physiocrats was given to them by other people, and arose from their belief in agriculture as the only producing industry. Their approach was scientific. They propounded theories and enunciated laws; and whatever their errors may have been, they spread the notion, hitherto appearing only here and there in isolated tracts and essays, that a science of economics was possible. Their works provoked great discussion and had considerable political results. The Margrave of Baden became a convinced follower, wrote a text-book on the principles, and attempted to introduce them, so far as they related to taxation, into three of the villages of his domain. In France Turgot, as Minister of Finance of Louis XVI, abolished many restrictions upon internal trade and would have gone much farther but for the opposition of vested interests.

The 'Wealth of Nations'

Such then was the group of economists and the body of doctrine which Adam Smith encountered in Paris on his continental tour. He was already in strong sympathy with them in their opposition to restrictions upon trade. There is no doubt that he admired their work in promoting the study of economics as a science. He speaks of them as men 'of great learning and ingenuity'. It is said that, but for Quesnay's death before its publication, he would have dedicated to him the *Wealth of Nations*. And although Smith definitely rejects much of their doctrine and clearly sets out to examine economic problems from first principles in his own way, their influence upon him is evident in many respects.

He devotes a chapter to the Physiocratic system, which he introduces by saying that it will not take up as much space as he has devoted to the mercantile system, for 'it would not, surely, be worth while to examine at great length the errors of a system which never has done and probably never will do, any harm in any part of the world'. He proceeds to consider the Physiocratic view of agriculture, pointing out clearly that it was mainly a reaction against Colbert's excessive encouragement of manufactures; but while Colbert had bent the rod too much one way, the Physiocrats, in endeavouring to straighten it, had bent it too much the other. 'The capital error of this system', he says, 'seems to lie in its representing the class of artificers, manufacturers and merchants, as altogether barren and unproductive.' Nevertheless he does not entirely reject their view. He is prepared to agree that in agriculture 'Nature labours along with man' and that in consequence that industry is more productive than others. 'Farmers and country labourers, indeed, over and above the stock which maintains and employs them, reproduce annually a neat produce, [the term is significant] a free rent to the landlord.'

We are concerned here, however, rather to estimate the extent to which Adam Smith followed the Physiocratic's doctrine of the natural order than to consider their influence over him in other respects. In his final summary and appreciation of their system he says:

Though in representing the labour which is employed upon land as the only productive labour the notions which it inculcates are perhaps too narrow and confined, yet in representing the wealth of nations as consisting, not in the unconsumable riches of money, but in the consumable goods annually reproduced by the labour of the society; and in representing perfect liberty as the only effectual expedient for rendering this annual reproduction the greatest possible, its doctrine seems to be in every respect as just as it is generous and liberal.

Yet, in spite of this very definite and uncompromising statement, Adam Smith never adopted quite the whole doctrine of the natural order. He kept the principle of natural liberty

down upon the earth. It never became the divinely ordained principle it was with the Physiocrats.

The *Wealth of Nations* starts from the notion of wealth as consisting of the 'necessaries and conveniences of life', and the efficiency of production as the factor determining national affluence. These fundamental ideas must always be the chief weapons in attacking mercantilism wherever it arises. Then having developed a body of theory relating to production, distribution, value, and money, which, amended and supplemented, became the framework of classical economics, Adam Smith proceeded with his attack upon mercantilism and State interference. The natural order of progress was first the improvement of agriculture, then of manufactures, and lastly the development of foreign trade. Since the fall of the Roman Empire, however, there had been a growing tendency to reverse this natural order by the deliberate action of governments, which had resulted finally in the establishment in nearly all European countries of what Smith called the mercantile system. He proceeds, almost apologetically, to point out the absurdity of the notion that gold and silver alone are wealth. Next he deals with the idea that unless the balance of trade is attended to a country may be drained of money. The supply of money can be left to look after itself, for money will flow to the place where the demand for it is greatest. Then the benefits of foreign commerce are outlined. It carries out of the country surplus produce for which there is no demand at home and brings back commodities for which a demand does exist. It enables producers to sell in a wider market than the home market and therefore permits them to introduce a further division of labour and to improve their productive powers to the utmost.

Then the reader is called upon to consider in detail all the various restraints upon trade and production which make up the mercantile system. The argument slips gradually from a mere exposure of the foolishness of attempts to manage the balance of trade into a general attack upon protectionism as well as mercantilism. Whether the measures are intended to

cause an influx of bullion or to secure the home market for the home producer they are bad. The effects upon national wealth of drawbacks, of bounties, of the corn laws, of commercial treaties, and of colonial policy are all considered in the fullest detail. Always the standpoint is the economic interest of the whole people, not of the labourer, or the capitalist, or the landlord, or of any single industry, or of any section of the people, unless it be of the consumers against the producers. There is nowhere very deep subtlety of analysis. The argument is drawn from a great wealth of knowledge, both historical and practical, of the trade of nations and of the past and present restrictions thereof. Herein probably lay the secret of Smith's great influence over English statesmen and legislators. The French mind could appreciate the abstractions of the Physiocrats. The English mind liked the strong practical flavour of the *Wealth of Nations*. But everywhere there are interspersed little paragraphs pointing the moral of the instances cited.

If the produce of domestic can be bought there as cheap as that of foreign industry, the regulation [of imports] is evidently useless. If it cannot, it must generally be hurtful.

If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage.

The law ought always to trust people with the care of their own interest, as in their local situation they must generally be able to judge better of it than the legislator can do.

Were all nations to follow the liberal system of free exportation and free importation, the different states into which a great continent was divided would so far resemble the different provinces of a great empire.

There is no definite exposition and development of the theory of the natural order, but the doctrine of natural liberty and of the beneficence of free competition are always present.

Nevertheless Adam Smith admits important exceptions to the principle of non-interference. The State must undertake to defend society from the attack of other societies; it must

administer justice as between the individuals of its own society; and it must provide those public works and institutions which 'though they may be in the highest degree advantageous to a great society, are, however, of such a nature, that the profit could never repay the expense to any individual, or small number of individuals'. In the last category are included the coinage, highways, bridges, harbours, and canals. If possible, although the State provides these things, they should be made self-supporting by means of tolls and charges to the user of them. The education of those children whose parents cannot afford to pay the full cost should be provided for by the State, though a moderate charge should be made. Not only will the community benefit materially if the labouring classes are more intelligent, but an uneducated people are a danger to the State. The production of a commodity such as saltpetre, which is necessary for national defence, should be encouraged within the country. In such a case an import duty is justified. And Smith has a long paragraph showing how harmful were the Navigation Laws from a purely economic point of view, but the last sentence reads: 'As defence, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England.'

The *Wealth of Nations* has little to say of the relations of labour and capital, and we shall postpone consideration of the little that it does say until later. When it was published power-driven machinery scarcely existed. The factory system had yet to develop, and when factory legislation came to be discussed the doctrine of *laissez faire* was brought to bear against it. It is difficult for the reader who appreciates Adam Smith's essentially practical outlook, and who realizes how little of the true doctrine there was in him, to believe that he who allowed that defence and public education were of more importance than opulence would not have added thereto the health and safety of the people.

Smith had little hope that a system of free trade would ever be established. 'To expect', he said, 'that the freedom of trade should be entirely restored in Great Britain is as absurd as to

expect that Oceana or Utopia should ever be established in it. Not only the prejudices of the public but, what is more unconquerable, the private interests of many individuals, irresistibly oppose it.' He underestimated, however, the influence his work would have upon the policy of the country. Five editions were published while he was alive. Pitt seems to have read it while still an undergraduate at Cambridge. When he became Prime Minister in 1783 he frequently acknowledged its influence upon his policy. When Smith came to London in 1787 there were many conversations between them, after one of which Adam Smith is reported to have said that Pitt understood his ideas better than he did himself.

The growth of free trade

The first practical result of Pitt's conversion was the Eden Treaty of Commerce with France in 1786, by which France reduced to low levels the duty upon British cotton and woollen goods and hardware, in return for a similar reduction of the duties upon French wines, brandy, and glass. During the earlier part of Pitt's administration the first steps were taken to simplify the tariff, and despite much opposition he made it clear that in many directions he intended to go farther towards free trade. The Napoleonic wars prevented any considerable movement in this direction for the time being.

In 1820, however, a petition was presented to the House of Commons by Thomas Tooke, author of the well-known *History of Prices*, on behalf of the merchants of London, in favour of the abolition of all duties except for revenue purposes. A similar petition came from the Edinburgh Chamber of Commerce. A Committee of Inquiry reported favourably upon the proposals, declared that the high British tariff was the reason commonly given by foreign governments for maintaining a high tariff themselves, and recommended a gradual movement towards free trade. Huskisson, President of the Board of Trade, adopted the policy immediately. In 1823 he secured the passage of the Reciprocity of Duties Act. Between 1823 and 1825 several import prohibitions were removed and a considerable number

of duties reduced. Between 1824 and 1829 fifteen commercial treaties were concluded securing freer trade with foreign countries, in return for modifications of the British tariff and Navigation Acts.

At this point, however, the movement towards free trade ceases to be a movement carried on purely in the interests of the whole nation and of the extension of world commerce, and becomes more closely identified with a sectional agitation. Corn laws regulating the price of wheat and restricting its importation had been a part of the commercial system since the fourteenth century. Upon the collapse of prices following the end of the war in 1815, the agricultural interest had secured the passage of a measure which practically excluded foreign corn until high market prices were ruling. Agitation for the repeal of the Corn Laws was rooted in the agitation for the extension of the franchise which culminated in the Reform Bill of 1832, and was at the outset a great popular movement. But the industries of Lancashire, particularly the cotton industry, were specially dependent upon foreign trade, and the millowners believed that their interest lay mainly in securing cheap labour. For cheap labour cheap food was essential. The Corn Law agitation, therefore, became based upon Manchester and was largely financed by the cotton industry. In 1838 the Manchester Chamber of Commerce, on the initiative of Richard Cobden, a master cotton printer, petitioned Parliament for the repeal of the Corn Laws. In the same year the Anti-Corn Law League was formed in Manchester, with Cobden and John Bright, a Rochdale manufacturer, as its leaders; and the agitation ultimately spread throughout the country until it achieved its object in 1845. In 1849 the Navigation Laws were repealed, and when Gladstone became Chancellor of the Exchequer in 1852, he began a series of tariff changes which by 1875 had removed practically every vestige of protectionism from British policy. Cobden, Bright, and the leading speakers for the movement make up what is generally known as the Manchester School. There was nothing in their views regarding international trade to distinguish them from Adam Smith, but in other respects

they carried the principle of non-interference much farther than he did. This aspect of the movement remains to be dealt with later.

The Theory of International Trade

Adam Smith did not work out fully the theory of international trade. He was content to point out, firstly, that it enabled the nations to benefit by specializing in the branches of production for which they were best suited and, secondly, that such specialization permitted of the carrying on of production for a wider market than the home market, and therefore of further reducing costs. Purely deductive reasoning of a more subtle nature than this is scarcely to be found anywhere in his work. But the theory as he expounded it did not completely dispose of protectionist arguments. The protectionist might say that superior efficiency in the production of a commodity was not always due to natural resources, climate, and other factors over which man had little control. It often arose from superior skill amongst workpeople, from greater technical knowledge, from better organization, or from longer experience. Under temporary protection or assistance an industry might improve in these matters and become even more efficient than its competitors. Then protection would have been a blessing, for it would have created an industry of higher efficiency than had existed before in either nation.

The economists who succeeded Adam Smith in the English Classical School went more deeply into the matter. Even where one nation was able to produce two different commodities with a lower expenditure of labour and capital than another nation, it might still be an advantage for each to specialize in producing one of them only, and if the possibility of such an advantage were present, unrestricted competition would bring about this specialization. The necessary conditions were that the one nation should have a greater superiority over the other nation in the production of one commodity than in the production of the other.

The principle involved may be explained as follows: Nations

differ in the standard of living they are able to afford to their people, due to differences in the average output of wealth per head. Within a nation industries differ in average output, but in the long run the money wages paid by even the less efficient industries will be governed by the average level of efficiency in all the industries of the country. Every industry in the one country may be more efficient at any particular moment than all the industries of another country. Yet the lower wages paid by the less efficient country will enable that country to compete successfully with those industries of the more efficient country which are below the average; while the industries of the latter country which are above the average will be able to pay the higher wages and still compete with the less efficient industries of the former country. Hence under free competition there is a continuous tendency for the more efficient industries of both countries to expand and the less efficient industries of both countries to contract: in other words, for the average efficiency, and therefore the standard of living, of both countries to improve.

Ricardo, the leader of the deductive economists, must be given the credit of doing most in the development of this principle, which has come to be known as the Law of Comparative Cost, though he was not quite first in recognizing the principle.¹ John Stuart Mill did much to make it clearer, but it cannot be said that the doctrine has ever been widely understood, particularly by those whose influence over international trade has been greatest. The fault lies partly in the difficulty which the most lucid writer must find in making it clear, but partly also with the economists themselves who have relied almost exclusively upon deductive reasoning and hypothetical examples in explaining it. There has been a lamentable lack of illustrations drawn from the facts of world trade, and a serious deficiency of that wide knowledge of the practical working of the principle which Adam Smith was always able to bring to the illustration of his theories. The doctrine has done more to attach to the later economists the epithet *doctrinaire* than any other part

¹ Colonel Robert Torrens, one of the leaders of the Currency School of monetary doctrine, has the best claim (*An Essay on the Corn Trade*, London, 1815).

of their theory. Linked as it was in many cases with theories of wages and profits which have long since been abandoned, it often gave rise to the most extraordinary generalizations, which practical men felt instinctively to be false. John Stuart Mill, for example, held that wages were always equal to the cost of subsisting the labourer. A general fall of wages merely increased the general rate of profits and did not affect prices. This led him to make the remarkable statement that 'general low wages never caused any country to undersell its rivals, nor did general high wages ever hinder it from doing so'. Such errors brought the whole theory of international trade into disrepute and particularly the argument based upon comparative cost.

Yet this Law of Comparative Cost is of the utmost importance in explaining many of the phenomena in international economic relations. It provides the reason for the existence of high prices and high wages where the standard of living is high—a matter with which Ricardo dealt very fully. It explains why industries for which some regions appear to be well suited by climate and natural resources do not flourish there. It shows, for instance, why the sugar-beet industry in some countries and the shipping industry in others can only prosper when fed by bounties. Lastly and perhaps most remarkable of all, it is essential for making clear the full significance of that competition arising from low wages in some countries as compared with others the existence of which Mill denied—a competition which must ever become more intense the farther one nation rises above others in standard of living.

The evils of competition

The whole theory of international trade, however, as taught by the classical economists and even by most of their modern successors has one serious weakness, a weakness which it has often shared with many of their other doctrines. They have seldom been content to adopt the position of pure scientists, seeking merely to expound the laws of economics regardless of the practical conclusions to which those laws may lead. Most of them have felt themselves bound to mix politics with economics,

to discuss the advisability of measures taken in the past and of measures proposed for the future. This has in many ways affected, if not the doctrines taught, at any rate the amount of emphasis given to different theories. By means of headlines and the allocation of prominent columns to particular items, a journalist, though giving all the news, may convey to lazy minds a completely distorted view of the situation. The economists, by giving double space and attention to one side of their doctrine and leaving the other only partly developed, have often left themselves open to the charge of bias, or of being reluctant to arrive at conclusions which were distasteful to them. Socialist propaganda, as will be seen later, gave a definite twist to their theory of the distribution of wealth, and the fact that they have usually been strongly in reaction against protectionism has sometimes given a bias to their theory of international trade.

It must be remembered that a prominent feature of the protective system of all countries has been the growth of vested interest under the shelter of the tariff. The use of purely temporary protection has seldom been successfully carried out, because when the time for removing the protection arrives the whole force of organized vested interest is brought to bear against its removal. The economist, convinced of the long-period superiority in the general interest of freedom of trade, has been reluctant to admit of any short-period exceptions, lest permanent protection should result.

The weakness of the classical theory has been its tendency to make light of the evils arising from unrestricted competition. If no obstacles are placed in its way trade will flow into those channels which bring to all the trading countries the greatest amount of wealth for the smallest expenditure of capital and labour. Such is the cardinal point of the doctrine. If an industry is threatened by foreign competition, it must bestir itself, reorganize, eliminate waste, and instal better machinery. If these measures fail it must be allowed to die. The capital and labour displaced will flow into other industries which can resist competition, and thus the average level of efficiency will be

raised. There has always been a tendency to minimize the dislocation and loss of capital and skilled labour which is involved. Economists, it is true, have never fallen into the error of assuming anything like complete fluidity of capital and labour, but they have seldom faced fairly and squarely the complete lack of fluidity which often exists.

The higher the degree of personal skill expected of a workman, and the more highly specialized the industry in which he is employed, the greater the immediate loss if that industry shrinks or dies. If the trained engineer loses his proper employment permanently he is an unskilled labourer to every other trade. The skilled workmen of every industry who are of middle or past middle age must either find employment in their own industry or become unskilled men for the rest of their lives, for at that age they cannot start again. Most of the men in English coal-mining villages go into the pits in the normal course on leaving school and stay there until too old to work. If coal is superseded by some other fuel only the younger men can be transferred without great difficulty to other industries. In Lancashire and South Wales, in Denmark, Canada, Cuba, the Mississippi Basin, Argentina, Brazil, Java, Australia, and many other regions, the employment of large numbers of the people, the prosperity of subsidiary industries and trades, the solvency of public authorities, the very existence of the whole social economy, depend upon the ability to sell one or two commodities in a highly competitive market.

A great part of the fixed capital in all industries becomes 'scrap' if those industries vanish. Only a small part of the capital can be removed from a dying industry, and the greater the amount of highly specialized fixed capital, the greater the loss. Railways consist of embankments, cuttings, tunnels, bridges, permanent way, station buildings, vehicles, coal, and stores. If the traffic goes on to the roads coal and stores may be sold for use in other industries, but the remainder cannot be transferred and will lie derelict. The English canal system is an outstanding example. Textile plant, blast furnaces, rolling mills, engineering works, shipyards, the ships themselves, rubber, coffee, tea,

cotton plantations—all represent capital of a highly specialized kind resulting from years of thriftiness by millions of people which may be lost if a disequilibrium arises between demand and supply.

Such a disequilibrium may spring from many causes. A substitute for the product may be discovered, or public taste may change. By miscalculation fresh capital may be poured into an industry which is already producing sufficient for the market, or competition may spring up spontaneously from a rapidly growing and particularly energetic population in a newly developed region of the earth. *Laissez faire* gives no direction to new effort. New productive capacity of any kind may be established anywhere by any foolish blunderer who can obtain command of capital. And when the existing producers feel the draught of competition, *laissez faire* refuses to allow of any tempering of the wind to the threatened industry.

On the other hand it is to be expected that the capitalists of the industry will claim that they have been encouraged in the past to invest their capital in productive enterprise, that by doing so they have advanced national prosperity and contributed to the national revenue. The workmen will say that they have served their apprenticeship, attended their technical classes, studied their books, and given their whole career to this industry. And both capital and labour will unite in a demand that if the public interest in the long period requires that their industry shall be superseded by that of their competitors in some other region of the earth, they shall at least receive some short-period assistance from the nation or from the consumers they have benefited in the past.

Producer versus Consumer

Thus the issue between *laissez faire* and protectionism is mainly an issue between the consumer and the producer. Adam Smith saw this quite clearly. 'Consumption', he says, 'is the sole end and purpose of all production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer. The maxim is

so perfectly self-evident, that it would be absurd to attempt to prove it. But in the mercantile system, the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production and not consumption, as the ultimate end and object of all industry and commerce.'

Bastiat, a later French apostle of *laissez faire*, who unsuccessfully projected a French Free Trade League upon the lines of the Anti-Corn Law League, was even more emphatic in claiming that the interests of the producer ought always to be subordinated. Economic law and free competition keep the producer, who is always seeking his own selfish ends, within bounds and compel him to consider the interests of the consumer. The producer if not so restrained will go to any lengths for his own profit. Destruction and waste of existing wealth are to him desirable, for they increase the need for his efforts, while the consumer naturally condemns all waste. Thus in solving any economic problem the first question to be asked is always what measures will be for the benefit of the consumer.

When we realize that in modern times almost every one, besides being a consumer, is a producer for a competitive market, and that the degree of specialization both of labour and capital is constantly becoming greater, which means that people are becoming ever more and more completely dependent during the whole of their lives upon the demand for one particular kind of labour, then we see the inadequacy of the *laissez-faire* doctrine. It is small comfort to the Lancashire cotton worker that as a consumer he can buy cheap cotton goods from Japan; or to the silk operative of Lyons that artificial silk looks almost as well and costs much less; or to the rubber planter that when rubber is over-produced he can buy his tires cheaply; or to the Spanish producer of olive oil that cotton-seed oil is as good and cheaper for cooking. To do Adam Smith justice we must not forget that he was attacking a thoroughly bad restrictive system, largely haphazard, which was the mere travesty of an effort at scientific control of production. But the criticism he applied to the Physiocrats applies also to him, that the rod being bent one way, in endeavouring to straighten it he bent it too far the other.

Temporary protection

Ricardo had the advantage of writing his principal work in 1817, when the introduction of power-driven machinery had reached an advanced stage. Capital had become much less fluid than in Adam Smith's day, and Ricardo was so much alive to the evil results of competition that he devoted a whole chapter to the effects of 'sudden changes in the channels of trade'. It contains several striking passages.

In rich and powerful countries, where large capitals are invested in machinery, more distress will be experienced from a revulsion in trade than in poorer countries where there is proportionally a much smaller amount of fixed, and a much larger amount of circulating capital, and where consequently more work is done by the labour of men. It is not so difficult to withdraw a circulating as a fixed capital from any employment in which it may be engaged.

It should be noticed that the 'distress' he is concerned with is that of the capitalist, not of the labourer, although the latter is likely to suffer from the changed conditions as much in a poor country as in a rich country. He notes (from the experience of England at the time) how a war, preventing the importation of corn, may draw an unusual quantity of capital into agriculture, and how, at the termination of the war, acute distress in agriculture may set in. He is even prepared to admit of a short-period departure from *laissez faire*. 'The best policy of the State would be, to lay a tax, decreasing in amount from time to time, on the importation of foreign corn, for a limited number of years, in order to afford to the home-grower an opportunity to withdraw his capital gradually from the land.' Once again, it may be noticed, there is not a word about the uprooting of the labourer. But at any rate the principle is admitted that, where an industry has done good service for the State, and where it can be clearly seen that some part or all of its productive capacity is surplus and will be destroyed if competition has full play, the blow should be softened by temporary interference with competition. This interference, he says, would involve a net economic loss, but the temporary tax 'would be

for the advantage of a particular class, the distribution of whose capital was highly useful in procuring a supply of food when importation was stopped. If such exertions in a period of emergency were followed by risk of ruin on the termination of the difficulty, capital would shun such an employment.'

During the war of 1914-19, however, not only agriculture but a whole range of staple industries became over-developed in all the belligerent countries. Every conceivable encouragement was given to them by their governments to expand. Ship-yards were extended, iron and steel works enlarged, coal-mines developed far beyond peace-time needs, and hundreds of thousands of additional miners enlisted and trained. Would Ricardo, after the war, have given temporary protection of some kind to agriculture, to all of these industries, and to many other smaller ones in a similar condition, not only while they withdrew as much capital as could be salved, but also while the surplus skilled labour was transferred, for this as well strict justice would surely require? And if the principle is true for industries which have served a nation well in wartime, does it not apply to any old-established industry which is suddenly threatened with competition arising from circumstances beyond its control? Should not the sugar industry of the West Indies be given temporary help in its fight against beet sugar, or the wheat growers and meat producers of Europe against competition from the new countries, or the textile, engineering, and other highly specialized industries which have served their country well for a long period, against new and serious competition from any source?

But we must go at least one step farther even than this. Are we to consider only competition between the industries of different countries? The teachers of the *laissez-faire* doctrine hoped for a general removal of the barriers between nations. They were international in their outlook. If, then, the principle is to be admitted that an industry which has done good service has some claim to protection against sudden death, will that not apply within the frontiers of a nation as well as across those frontiers? Canals were destroyed by the railways, and the

railways may be destroyed by road transport. Coal is threatened by oil, real silk and cotton by artificial silk, plantation rubber by native-grown rubber. To the individual producer competition is just as serious a matter if it arises from one of his own nationals as if it is of foreign origin. And it need not be from a new industry. The old-established concern is just as seriously damaged by the creation of excessive productive capacity for manufacturing precisely the same commodity as it makes itself, as it is by the competition of a substitute.

Moreover, the question must arise as to when an industry or a producing unit is to be regarded as having established a claim to temporary protection. In every period of unusually active trade new producing units spring up in all industries. Fresh capital is invested in the production both of primary products and of manufactures. For several years there may be no apparent surplus. Then a general slump in trade occurs. In every direction stocks of commodities accumulate, so that it may sometimes appear that the cure for the depression is a grand orgy of destruction. More careful examination of the position usually reveals that in some industries, often in many, the disequilibrium extends not merely to stocks of commodities but to the capacity for replenishing those stocks, and that production and exchange cannot regain their balance until some of the producers in those industries which have been overdeveloped have disappeared. Karl Marx thought this feature of the trade cycle was one which would become worse as time went on and would ultimately be a main cause of the world revolution. However this may be, there is no doubt that it is a direct result of *laissez faire*, and the producers who succumb during the slump are not necessarily the new ones who caused the disequilibrium. They may be some of the oldest in the industry, and it may well be asked whether they have not some claim on equity grounds to short-period protection against the operation of ruthless competition.

The case which protectionists make for temporary protection does not in any way invalidate the argument for free trade in the long period. Its supporters may admit the advantages of

international division of labour and the truth of the Law of Comparative Cost, but they say that the most serious competition may be of a transitory nature. It is sometimes due, for example, to the rapid depreciation of another country's currency. And in any case a threatened industry is entitled to a breathing-space in which to attempt to reorganize or, failing that, to save what it can from the wreck. For, apart altogether from the question of justice to the capitalists and to the labour employed in the industry, it is clear that unless unrestricted competition really does in the long period substitute industries of higher efficiency for industries of lower efficiency, there is a net economic waste in making the change.

Friedrich List

The doctrine of non-interference, so far as it applied to international trade, had far less influence in other countries than in England. The great majority of academic economists throughout the world ultimately adopted it as a principle, usually with modifications and exceptions, but their influence upon legislation was small. It is true that free-trade doctrines helped much towards the removal of restrictions within the borders of nations. The nineteenth century saw a considerable advance towards larger economic as well as larger political units, and the prospective economic advantages did much to further the aims of those who sought political unity. In France many of the old restrictions of the Colbert régime were swept away just before and during the Revolution. But more significant was the establishment of the German Zollverein, which curiously enough, though a move in the direction of freer trade, was accompanied by a new attempt to give to protectionism a sound theoretical basis.

Friedrich List, who was responsible for this, was born in Wurthemberg in 1789. After a period in the civil service he became a professor of political science and a strong advocate of a German customs union. He conducted a lively agitation for the abolition of restrictions upon trade such as road tolls and State monopolies, and wrote in favour of free trade. His

activities displeased the Government and he was virtually compelled to emigrate to America. Here, as he said himself, he was able to watch the development of a rapidly growing nation, to observe the forces which tended to make it strong, to examine the process involved in the planting of manufacturing industries, and the benefits which this brought to agriculture by providing a ready market for foodstuffs. He studied the work of Alexander Hamilton, Washington's lieutenant, who had been strongly in favour of fostering manufactures by State action to provide a balanced national economy, and who had put the principle into practice by founding the American protectionist system.

List returned to Germany in 1832, and shortly afterwards wrote an essay for the French Academy the title of which, set by the Academy itself, is significant as an indication of the lines upon which discussion of the free-trade issue was moving at the time: 'What must be considered by a nation desirous of introducing Free Trade in order in the most just manner to reconcile the interests of consumers and producers?' List's reply was that a nation should not necessarily be desirous of introducing free trade at all. By this time the German Zollverein was almost completed. In 1828 two customs unions had been formed: one between Bavaria and Würthemberg, and the other between Prussia and Hesse-Darmstadt. Within the next year or two these two unions drew closer together in tariff agreements. In 1834 they were fused into one Zollverein and were quickly joined by most of the remaining German States except Austria and Hanover. Thus most of Germany became a free-trade area. But almost immediately there arose from several manufacturing industries a demand for protection at the frontiers of the union against foreign competition. The agitation gave List an opportunity of putting before a sympathetic public the ideas he had gathered in America regarding the conditions required for the rapid development of a young virile nation.

The German States in the eighteenth century had been economically the most backward area of western Europe. They were essentially agricultural, and were exporters of wheat and

other foodstuffs. Such infant manufactures as existed were held back by the Napoleonic wars, and on the conclusion of peace they found that English manufactures had established themselves throughout Europe. It seemed hopeless to attempt to compete with the English industries upon equal terms. At the same time England, by her Corn Laws, strengthened to protect agriculture from post-war depression, was refusing, in spite of the free-trade principles of her economists and statesmen, to accept wheat for cotton goods and allow to German agriculturists that reciprocity of trade which is a fundamental principle of free-trade doctrine. Germany was in a position very similar to that of the United States and, indeed, of England. They all had plentiful natural resources which were, as yet, hardly touched. Population was small in relation to area. There was ample room for expansion. But England had obtained a considerable lead. The development of power-driven machinery had originated there, and the freedom of her territory from invasion during the war had allowed her manufacturers to move well ahead of those of the other countries. It is hardly to be wondered at that in those other countries, particularly in Germany, which had so much lee-way to make up, the notion of trade as a competition rather than as a necessary condition of the fullest and most economical development of resources, should have been widely adopted. In 1841 List published his most important work, *The National System of Political Economy*.

List had read Adam Smith, Bastiat, and other free-trade economists. He did not ignore their doctrines, indeed, here and there he pointed out weaknesses and errors in their teaching, but he made no effort to analyse and refute their theories on their own ground. He swept aside the whole of the political economy of what he called 'the School', and set out to construct a new empirical system based upon the history of national development in the immediate past, his experiences in America, and the position of Germany at the period at which he wrote. 'When afterwards I visited the United States,' he said, 'I cast all books aside—they would only have tended to mislead me. The best work on political economy which one can read in that

modern land is actual life. . . . That book of actual life I have earnestly and diligently studied, and compared with the results of my previous studies, experiences, and reflexions.'

List began with the economic position of America and Germany in relation to England. English manufactured goods flooded the world. Under free trade the other nations had little chance of developing either a woollen industry, a cotton industry, or an iron and steel industry. Every year fresh industries were developing in England and extending their markets abroad. Under free trade England would become the one great factory, drawing raw material and foodstuffs from the rest of the world. Whatever natural capacity the other nations might have for carrying on manufacturing industry themselves would remain undeveloped. Or, if they did develop, as 'the School' said they must if the aptitude was present, the process would be slow, and for generations these other nations would remain backward. If it was true that free competition and the enlightened self-interest of the people would, sooner or later, raise up the industries for which the country was best fitted, there was every reason for helping the process. The wind, said List, scatters the seeds of the forest trees about the earth and thus nature plants new forests; but the forester does not wait for this process to work—he plants them himself.

List held that it was of supreme importance to a nation to develop and conserve its productive power, even though this involved the sacrifice of present consumable wealth. He had no faith in the spontaneous development of productive capacity when a nation was backward in relation to others. The development must be fostered by protective duties. The doctrine was frankly nationalist. He was prepared to damage or cramp the development of other nations to help his own. Internationalism, co-operation between the nations, regional division of labour, were all fine ideals. But in the world of 'actual life' nations were competitive, wars still occurred, the welfare of the individuals of a State depended not merely upon the quantity of present satisfactions with which they could provide themselves, but also upon the capacity of their govern-

ment to defend them, to maintain for them their liberty, and to provide them with permanent security in their occupation. This involved the careful fostering of productive power.

An essential part of the doctrine was the belief in the superiority of manufacturing over agricultural industry. List was an admirer of Colbert and defended him against the attacks of other writers. A purely agricultural people always remained backward and uncivilized. With the growth of manufactures went the growth of cities, the fostering of the arts and literature, and the advancement of the people in culture, knowledge, intelligence, and all the qualities necessary to enable them to hold their own in the world in competition with other nations.

List did not believe in protection as an ideal system for all nations at all times. It was appropriate only to a certain stage of a country's development—the stage which America and Germany had reached at the period at which he wrote. He believed that nations followed a regular course of development, from the hunting to the pastoral stage, from the pastoral to the agricultural, and from the agricultural to the manufacturing. It was at the commencement of the last stage that protection was needed to encourage the rapid development of the country's manufacturing resources. When suitable manufacturing industries were established and their position assured, free trade should be re-established, for the nation would now be able to take its place alongside other nations, meeting them in competition as an equal, and the stimulus of competition was beneficial. He ruled out altogether protection for agriculture, his reasons being neither clear nor consistent, and indeed in this part of his doctrine more than in any other his views were evidently governed by the circumstances of the time. Germany was an exporter of corn and English agricultural protection had damaged her trade.

Henry Carey

In the United States Henry Carey, writing in 1858, supplemented List's arguments for protection with two other important ones. He believed, firstly, in the benefits to a country of

a diversity of industries. Under free trade a nation would tend to develop one or two large industries. Its people would be employed in one or two ways only. Fostering a large number of different industries provides greater scope for the employment of varying abilities and for the development of individuality. Secondly, he contended that the export of foodstuffs and raw materials impoverishes a country, for when they are not consumed within the country the substance is not returned to the soil. Hence it was desirable to provide a market for agricultural produce within the confines of the nation.

List and Carey stand out amongst nineteenth-century economists as the only two of any importance who favoured protection. Freedom of trade as a general principle was a cardinal doctrine of all the other writers who expounded economics as a science, and yet, with the exception of Great Britain, the leading nations of the world remained protectionist and indeed adopted higher and higher tariffs.

Modern Protectionism

It is difficult to disentangle and reduce to system the principles upon which their policies were based. They are, for the most part, contained in propagandist literature, in articles in party newspapers, and in the speeches of politicians. There is no doubt that the purely selfish interests of particular industries have had a strong influence in many cases, and that any real endeavour to promote in a scientific manner the welfare of the nation as a whole has often been absent. Many of the arguments continually brought forward in favour of protection are purely mercantilist. The economists have never succeeded in destroying mercantilist notions, and they have scarcely begun to instil into the minds of politicians any clear understanding of the theory of international trade, particularly of the Law of Comparative Cost.

Nevertheless, it would not be true to say that protective tariffs exist only because of the sinister influence of vested interest and the ignorance of statesmen. There has been and there still is a great deal of honest belief amongst careful

thinkers in their desirability in the interests of a nation as a whole. New countries such as Canada and Australia, pre-eminently suited for agricultural industries, have deliberately established 'secondary' manufacturing industries upon the principles of List and Carey. They have felt the need for a town-dwelling population, amongst whom education, science, and art may flourish, and where the daily contact of the people with one another may raise the standard of intelligence and produce leaders of thought and framers of policy who, coming into contact with their counterparts in other nations, may be able to maintain the prestige of their own people. They have refused to remain mere farming communities, living in homesteads upon gigantic holdings, often very many miles from one another, and the statesmen responsible for their policy have undoubtedly often realized that the departure from free-trade principles in order to establish manufacturing industries meant dearer manufactured goods and a consequent loss of present wealth—a loss they were prepared to face to secure the wider objects in view.

These considerations are political rather than economic, and sometimes other political considerations have had much weight. In highly industrialized countries the protection of agriculture has been supported on the ground that a sturdy peasantry can alone maintain the virility of the race. Often the needs of the army have influenced this view. In England, the propaganda commenced by Joseph Chamberlain in 1903 for the establishment of a tariff against foreign goods in order to encourage trade within the British Empire had as its main object the closer political unity of the components of the Empire, though it has received much support from persons who believed that the purely economic interests of the Empire could be fostered in this way.

Amongst protectionists in all countries there has been a good deal of genuine belief that protective tariffs or bounties were the best remedy for the insecurity of both labour and capital arising from unrestricted competition. They revolted against *laissez faire*, which entirely ignored the rights and interests of the producer. Free trade may in the long run produce

the greatest amount of wealth from a given amount of capital and labour, but in the process flourishing industries are crushed out of existence, with all the attendant loss of capital and distress to labour over the short period, and for the sake of greater security and stability it might well be worth while to make some sacrifice. France, perhaps above all other nations, has framed its policy upon these principles. It has sought to establish a balanced national economy, to give a moderate standard of living coupled with a high degree of security to the peasant, to be self-supporting as regards foodstuffs, and to develop to the utmost the manufacture of the more essential fabricated commodities. In consequence, France, while not perhaps enjoying as high a standard of living as if she had traded more freely, has suffered less than other nations from trade fluctuations and unemployment.

Control of Production

Apart from protective tariffs and bounties, for which governments are usually responsible, another species of interference with competition has arisen in modern times and has in some degree received the support of theoretical economists. This takes the form of the regulation of production within the industry itself to protect the interests of the producer against the evils of *laissez faire*. Amongst manufacturing industries trusts, cartels, and various other forms of monopoly, sometimes of international and even world-wide extent, have been formed. They have naturally been regarded by consumers with considerable apprehension, and in some countries, particularly the United States, legislation has been passed to prevent their formation or limit their activities.

Most modern economists, however, recognize that the establishment of monopoly in the production and marketing of a commodity should give to the producer that security for his labour and capital which is lacking under free competition. And since the organization may transcend the boundaries of nations, it provides a form of control which avoids many of the objections raised against national tariffs. Production may still

be carried on in those regions which are best suited for it, and it may still be conducted upon a large scale. Tariffs divide an industry into small national units, each with its own factories and selling organization, with the result that costs are raised. An international combine, on the other hand, may produce in one country or in several, whichever is the most economical plan having regard to the cost of transport between the countries and all other circumstances.

Amongst producers of primary commodities the same objects of security for the producer and stability of the market have been sought by schemes for controlling output. In the sugar industry, the Brazilian coffee industry, the rubber-growing industry, the tin-mining industry, and others such restriction plans have been tried with varying success. The difficulty is to secure complete control where the industry is carried on by a large number of small producers working often in different countries and in tropical regions of the earth at a great distance from civilization.

The obvious danger of all schemes involving monopoly control by the industry itself is that the price of the commodity may be raised against the consumer. The admitted object of the monopoly is to safeguard the producer's interests by eliminating competition. According to strict *laissez-faire* doctrine the consumer's interest is to be safeguarded only by permitting complete freedom of competition. And there is no doubt that when a monopoly is obtained of a commodity which is a necessary of life or the demand for which is inelastic the producer may raise the price without causing his sales to fall off to any great extent. It is in such cases that legislative control has generally been found necessary.

Nevertheless monopoly does offer a method of controlling both producing capacity and output. Under the most favourable conditions it should narrow down the margin of price fluctuation. If the level at which the price is maintained is a moderate one the consumer as well as the producer should benefit, for stability of prices is an advantage to both. The only question is at what price level a fair balance will be maintained

between their conflicting interests. The answer is that the price should be sufficient, and no more than sufficient, to cover the costs of the least efficient producing unit, so that, while the supply will be maintained, there will be no temptation for additional producing units to be set up and the supply increased.

Such are the principles which have been held to justify the restriction schemes adopted by primary producers. For manufacturing industries, where often production as well as marketing is the subject of monopoly, more complex considerations arise into which it is not necessary to enter here. The application of any of these principles to practice cannot be said so far to have met with much success, but the fact that economists now realize that to ignore altogether the producer's interests is not to the economic advantage of the community as a whole is a great advance from the old *laisser-faire* position. And the attempt to secure control, industry by industry, regardless of national boundaries, is immensely superior to the hopelessly unscientific method of tariffs and bounties.

Workman and employer

In considering the principle of non-interference we have so far confined our attention to its application to trade between nations. It will be remembered, however, that as originally expounded by the Physiocrats it was a doctrine of the natural order of society, an order which would establish itself from the unrestricted competition of individuals acting in their own interests. The doctrine applied not merely to the relationship between different societies, but to the relationship between the individuals of each society. It applied, in other words, not merely to international trade, but to the whole organization of production and distribution within the community. We must therefore now turn to consider the *laisser-faire* principle in its application to the question of State interference with the internal economic organization of the community.

When the *Wealth of Nations* was written such legislative interference with internal production and trade as existed was confined to monopolies granted by the State to private persons for

the exclusive conduct of particular businesses, and to a few survivals of the past, such as the English Statute of Apprentices, a law which fixed for many trades a minimum period of apprenticeship of seven years. The great bulk of these restrictions were swept away in nearly all countries within a short period, and the overwhelming mass of State regulations introduced since that date have been designed either to protect the workman against the employer, or to further the interests of the poorer classes at the expense of the wealthy. In other words they have involved a modification of the manner in which the national income is distributed. Thus while the issue between *laissez faire* and protectionism is largely concerned with the conflicting interests of consumers and producers, whether they be capitalists or labourers, the issue between *laissez faire* and State interference with the internal national economy has been mainly concerned with the conflicting interests of capitalists and labourers.

Adam Smith and social legislation

Adam Smith has but little to say upon the matter. By the time at which he wrote the wages system was well established. Most labour had ceased to own the capital with which it worked and wages were definitely a separate kind of income.

In all arts and manufactures [he says] the greater part of the workmen stand in need of a master to advance them the materials of their work and their wages and maintenance till it be completed. He shares in the produce of their labour, or in the value which it adds to the materials upon which it is bestowed; and in this share consists his profit.

Here are all the essential conditions which give rise to the antagonism of interest between capital and labour, but the question had not yet become acute. Power-driven machinery was scarcely used at all. The factory system had not developed, and industry was still carried on upon a small scale. In all of Adam Smith's examples he deals with workmen who are clearly in close personal touch with their employer. The conception of a market rate of wages is definite, but the labourers work with their masters and are in a position to see for themselves the

market conditions which fix their wages. Only with the growth of large-scale factory enterprise, with the almost inevitable loss of personal touch between employer and employed, did the antagonism of labour and capital take upon itself a serious aspect.

Combinations of workmen to improve their conditions of labour were regarded by the English common law as illegal conspiracies. Adam Smith gives them no consideration. But had he done so there can be little doubt that he would have opposed them strongly upon the *laissez-faire* principle. He deals severely with combinations of employers.

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.

When masters combine together in order to reduce the wages of their workmen, they commonly enter into a private bond or agreement, not to give more than a certain wage under a certain penalty. Were the workmen to enter into a contrary combination of the same kind, not to accept of a certain wage under a certain penalty, the law would punish them very severely; and if it dealt impartially, it would treat the masters in the same way.

He was opposed to all attempts to regulate wages, whether by common action within the industry or by Acts of Parliament.

Trade unions and factory laws

With the rapid spread of factory industry in England in the latter part of the eighteenth century, labour and capital came into conflict over two main questions: firstly, whether the workmen were to be permitted to form trade unions and, secondly, whether the State should interfere to regulate the conditions of employment. It was unfortunate that trade unions first began to spread widely at the period of the French Revolution. The wild, threatening talk in which the less responsible of their leaders always indulge caused much alarm in England. They were identified with the revolutionary clubs of France. In 1799 and 1800 Acts, generally known as the Combination Laws, were passed prohibiting the formation of trade combina-

tions of any sort, whether of employers or employed. There can be little doubt that fear of revolution was the strongest motive in the minds of those who supported these measures; but the fact that employers' associations as well as trade unions were forbidden shows that the *laissez-faire* doctrine also influenced them, and that there was an opposition to any kind of organization which might restrict competition.

The question of direct State interference with conditions of employment arose when considerable numbers of people began to be shocked by the conditions prevailing in many of the new factories, particularly where women and children were employed. The best employers regulated their factories well and served as a model which the supporters of factory legislation were able to use as an argument. But as the number of regulations grew, strong opposition developed, and the *laissez-faire* argument was used to the utmost. Compulsory expenditure upon health and safety devices and the restriction of hours of labour would, it was said, eat up the whole of the profit, and the unemployment which would follow would place the workers in a worse condition than they were asked to endure in the factories.

Robert Owen

Agitation for the freedom of trade unions and for legislation regulating hours of labour and conditions in factories and mines went on side by side. Francis Place and Joseph Hume led the movement against the Combination Laws and succeeded in securing their repeal in 1824. Robert Owen played a great part in promoting the earliest factory legislation. He was a cotton manufacturer who had managed his mill upon model lines, with full care for the welfare of his workpeople, without suffering loss of profit. He laid the results of his experience before the various commissions of enquiry which preceded factory legislation. The factory laws were passed one by one, and trade unions multiplied. Meanwhile Owen developed ideas regarding the ownership of the means of production by the workers. He did not believe in centralized State socialism, in

fact he disliked State intervention in industry. But he hoped to induce and enable the labouring classes gradually to acquire the ownership upon a co-operative basis of the factories in which they worked. He proposed to secure his object through the medium of the trade unions, and a national association of all the trade unions was formed to take control of all industry. It spread rapidly throughout the country and secured a large membership, but broke down when the Government took action against the members under the old law against conspiracy. The scheme, however, had introduced the trade unions to socialist ideas.

Robert Owen inspired the formation in 1832 of a kind of co-operative society known as the National Equitable Labour Exchange. Members sold the produce of their labour to the society in return for tickets which stated the number of hours of labour entailed in making the commodities. They were entitled to purchase with the tickets goods representing an equivalent number of hours of labour. The scheme was ruined because all the articles of high value were drawn out of the Exchange and only articles of low value left.

Consumers' co-operation

The Rochdale Pioneers Society, formed in 1844, was the beginning of the consumers' co-operative movement. It was not strictly in accordance with the ideas of Owen, for it placed the means of production under the ownership of the consumers, not of the labourers. Nevertheless, down to the present day the members have been chiefly working-class people, and the distinction between consumers' co-operation and workers' co-operation is overlooked by most persons in the movement. The co-operative societies have always been in close touch with the trade unions, and together they have formed the backbone of the English working-class movement.

English socialism had its origin in the events of the second quarter of the nineteenth century, in the clash between the trade unions and the law, in the fight for better conditions in the factories against employers supported by *laissez-faire* doc-

trine, and in the associative ideas of Robert Owen. Until very modern times it was linked with the practical aims and efforts of working-class leaders, as a vague and somewhat confused set of ideals, rather than with philosophic speculation. The influence of continental socialism was small. Owen was almost the only theoretical socialist in England until the Fabians, and although he did, indeed, come into personal touch with Sismondi, his ideas were entirely original, and had nothing in common with those of the Genevan reformer. Even Owen was essentially a man of action. His writings were few,¹ and his theories are to be discovered in the schemes which he and his admirers initiated rather than in his books.

The whole of economic thought in England until the last quarter of the nineteenth century was dominated by the ideas of the Classical School of economists. Their attitude towards international trade, as we have seen, was one of almost uncompromising *laissez faire*. Their attitude towards interference by the State with the internal economy of the nation depended chiefly upon their theories of income and of value. The clash between these doctrines and continental socialistic theories is of the utmost importance. It will therefore be necessary to discuss the classical principles in some detail.

Classical economics and Socialism

The classical economists at a very early stage came to regard their subject as a science. It has been said that in the whole of the *Wealth of Nations* there is scarcely a single definition of a term or a single formal statement of a law. This may be true, but nevertheless Adam Smith is continually generalizing. He clearly believes that the forces which determine wages and profits and rent work consistently. Ricardo's main work is entitled *The Principles of Political Economy and Taxation*, commences with a series of definitions, and proceeds in every chapter, almost solely by means of deductive reasoning, to discover and enunciate laws or 'principles'. Malthus wrote of the

¹ *A New View of Society* (1812); *The New Moral World* (1834); *What is Socialism?* (1841).

'principles of population'; and by the time of J. S. Mill it had become commonplace to speak of the 'law' of value and the 'laws which regulate the distribution of the produce of land, labour, and capital'. The invariability of these laws, given the set of conditions to which they referred, was assumed. They were as immutable as the laws of natural science. And the business of the economist was to reduce to a series of theories and laws the whole of the phenomena falling within his province of knowledge. Strictly his task was to explain the economic system, not to defend it or recommend improvements therein.

It is a matter of common experience, however, that those who explain a matter affecting human welfare or activities to those to whom it is obscure are liable to fall unconsciously into defending it. It is still more common for a person confronted with a reasoned explanation of something affecting him vitally which has seemed unreasonable, to believe that the explanation is intended as a defence. The economists, seeking honestly to discover the laws of their science, have suffered in both of these ways. Their theories have sometimes been framed rather to defend the existing condition of things than to give a true and full explanation of them. And they have often been accused by the socialists of bolstering up the capitalist system when they have merely been giving an honest explanation of its working.

The classical theories of profits

A good example of the reaction of socialist teaching upon economic doctrine is to be found in the development of the theory of profits. Adam Smith and Ricardo made no attempt to justify profits. They merely endeavoured to explain their existence and the causes of their variation. The price received for the product was shared by the landlord, the labourer, the employer, and possibly a fourth person, if the employer were using borrowed capital. By a great deal of somewhat confused reasoning they endeavoured to explain how the shares of each varied. The question whether any of the four were morally entitled to their income did not arise.

Soon, however, we find efforts to show what service of a social nature the recipient of the profits performs in return for his income. J. B. Say, the French disciple of Adam Smith, writing in 1803, introduced into economics the 'entrepreneur', the organizer of industry, who brings together the labour and capital, and applies them to the land to produce wealth. He shares in the profit, and this part of profit must therefore be regarded as remuneration for services performed. Later economists have called it the wages of management. Next came Nassau Senior, the English economist, who in 1836 defended profits, in which he included interest, as the remuneration or reward of abstinence. Capital can only exist if thrifty people abstain from consuming a part of their income and out of the savings advance to the labourers the materials and implements with which to work, and food and shelter while the work is in progress. Since present satisfaction is always to be preferred to future satisfaction, they will expect a reward for this abstinence. John Stuart Mill combined Say's wages of management with Senior's reward of abstinence and added thereto a payment for taking risk: Adam Smith had pointed out that the greater the risk of the undertaking the greater the rate of profits obtainable. Mill said that profits consisted of the three elements, pure interest (the reward of abstinence), insurance (the payment for taking risk), and wages of superintendence.

There is little doubt that at the back of these ideas there was a desire, probably quite unconscious, to find an answer to socialist attacks upon profits. The French socialist Proudhon published his book *What is Property?* in 1840. In it he accused J. B. Say of attempting to justify the existence of property, and to the question which formed the title gave the simple answer: 'Property is theft.' Between 1840 and the year of revolution, 1848, Proudhon conducted an energetic propaganda of an anarchist rather than a socialist nature. In 1841 Louis Blanc, who played a leading part in the subsequent revolution, published his *Organisation du Travail*, which advocated associative socialism of the Robert Owen kind. His main thesis was that unrestricted competition is the cause of almost every economic

evil. Mill's *Principles* were published in 1848, and were undoubtedly in preparation while the revolutionary propaganda and these attacks upon property and upon classical economics were raging.

Mill's analysis of profits held the field for a great many years. Yet it is not difficult to point out how very unsatisfactory it was. Most of the owners of the equity shares of a limited company have no part in the management. Their dividend is therefore not wages of management. When the company has been established many years and has gained a world-wide reputation they are often taking far less risk than those who leave their money on deposit with some banks. Yet upon the original amount subscribed they may receive for many years a rate of dividend which is several times that obtainable in 'gilt-edged' security. Their dividend can therefore scarcely be termed the reward of abstinence. All this was in due course pointed out by those who attacked 'unearned increment'. Curiously enough Mill himself attacked the unearned increment of rent and proposed to appropriate it to the State. It was left for later economists to admit that profits were often similar in nature to rent, and likewise subject to unearned increment.

We must, however, return to consider as a whole the classical theories which were so severely criticized by continental socialists. They fall under two main heads: theories of value, and what have usually been termed theories of distribution. It has been pointed out that the latter were not strictly theories of the distribution of wealth or of income, but theories of the determination of the rates of income. A real theory of distribution would have explained how the total share of the national income passing to each class of recipient was determined. But the term is well established and will require much effort to dislodge it.

Classical theory of distribution

The framework of the classical theory of distribution was laid by Adam Smith. He conceived production as carried on under arrangements between the employer and the landlord, and the

employer and the labourer. The freer the contracts between them the better, since they all shared in the results of production. There was, however, a factor largely beyond their control which affected the amount they would receive, namely the price their produce would fetch in the market. The conditions determining this price, therefore, must be considered first. Once the price was fixed it became possible to analyse what might be called the statics of the problem of distribution. The share of the price which would go to each party could be discovered, the shares varying according to variable conditions apart from the price. And after the shares were determined, the economist must proceed to the dynamics of the problem and consider how variations in the income of the parties affected the price and how variations of the price affected their incomes.

This undoubtedly was the intended order of procedure, but in the interests of clarity it became the practice to consider each kind of income separately. Adam Smith, it is true, endeavoured to take wages and profit together in one section, but the result was great confusion and subsequent writers nearly all gave a separate chapter or section to each. The outcome of this was lack of co-ordination between the theories and often a considerable amount of argument in circles. The rate of wages in a particular industry was made to depend upon the rate of profits, which it was assumed had already been determined by conditions apart from wages. But when one turned to discover what conditions had determined the profits, one found that they depended upon wages. The older economists never succeeded in producing a theory of distribution which was entirely free from this criticism.

The general plan, however, adopted by Adam Smith was used and enlarged upon by his successors. Land, labour, and capital became the three essential factors of production. When the 'entrepreneur' was introduced, 'organizing ability', his contribution to production, became a fourth essential factor. From that period four kinds of income almost corresponded with four factors of production. The labourer received wages, the capitalist interest, the landlord rent, and the entrepreneur profits.

When, however, it became clear that profits were something more than mere wages of management the correspondence between the factors of production and the four kinds of income broke down, and the whole framework became much less definite and satisfactory.

The subsistence theory of wages

Early essayists, before Adam Smith, writing of wages, had indicated their adherence to a subsistence theory of wages, without working it out in any great detail. Thomas Mun, Charles Davenant, and John Locke all believed, for instance, that taxes imposed upon food and other necessities left the labourer without the means to live and led inevitably to a rise of wages. Adam Smith emphasized the influence of supply and demand upon the actual market rate of wages. The demand for labour depended upon the size of the fund destined for the payment of wages, and this consisted of two parts: the income of the employers in excess of what was necessary for themselves and their families, and the capital of the employers in excess of the capital necessary to replace the materials upon which they themselves worked in their industry. The first they would use to employ domestic servants, and the second to employ labour to work beside them in the industry. The demand for labour would therefore increase as the income and wealth of the employers increased, that is, as the national income and wealth increased.

The demand for those who live by wages, therefore, necessarily increases with the increase of the revenue and stock of every country, and cannot possibly increase without it. The increase of revenue and stock is the increase of national wealth . . . It is not the actual greatness of national wealth, but its continual increase, which occasions a rise in the wages of labour. It is not, accordingly, in the richest countries, but in the most thriving, or in those which are growing rich the fastest, that the wages of labour are highest.

He went on to consider the causes of differences of wages in different occupations. These differences were due to the agreeableness or otherwise of the occupation, the cheapness or costli-

ness of the training required, the regularity of employment, the responsibility the employee was expected to take, and the chances of ultimately reaching a good position. All the various advantages and disadvantages of an occupation must be taken together in assessing the net total remuneration offered by that employment, and when this was done it would be found that competition set up a tendency to equality of net remuneration in all occupations. This piece of theory has been accepted by all economists and has continued to the present day as part of the long-period theory of wages.

But in considering the normal general level of wages in any country Adam Smith fell back upon the subsistence theory. In a country where wealth was expanding rapidly, the increasing demand for labour would cause wages to rise above the normal level, but when a stationary condition was reached they would sink back to the maximum amount necessary to maintain the labourer and to enable him to continue the supply of labour.

Though the wealth of a country should be very great, yet if it has been long stationary, we must not expect to find the wages of labour very high in it. . . . If in such a country the wages of labour had ever been more than sufficient to maintain the labourer and to enable him to bring up a family, the competition of the labourers and the interest of the masters would soon reduce them to this lowest rate which is consistent with common humanity.

Every species of animals naturally multiplies in proportion to the means of their subsistence, and no species can ever multiply beyond it. . . . It is in this manner that the demand for men, like that for any other commodity, necessarily regulates the production of men; quickens it when it goes on too slowly, and stops it when it advances too fast.

Ricardo accepted Adam Smith's doctrine of wages in its entirety, giving, if anything, more prominence to the subsistence theory. His chapter on wages in the *Principles* begins with a very concise and definite statement of this theory.

Labour, like all other things which are purchased and sold, and which may be increased or diminished in quantity, has its natural and its market price. The natural price of labour is that price which

is necessary to enable the labourers, one with another, to subsist and to perpetuate their race, without either increase or diminution.

And he goes on later to define the market price as

the price which is really paid for it, from the natural operation of the proportion of the supply to the demand; labour is dear when it is scarce, and cheap when it is plentiful. However much the market price of labour may deviate from its natural price, it has, like commodities, a tendency to conform to it.

The 'Iron Law' of wages

This classical theory of wages was rather badly treated by the earlier socialists. Its pessimistic aspects, particularly as it was expounded by Malthus, were much exaggerated. Rodbertus and Lassalle, the German socialists, the former of whom certainly accepted it as a sound theory, named it the brazen or iron law of wages. As interpreted by them it gave to the workers no hope whatever of improvement under a system of *laissez faire*, which was a great argument for socialism.

The standard of living

Yet the classical economists were by no means completely pessimistic in regard to wages. Adam Smith's view of what was a subsistence wage was a liberal one, and he allowed considerable elasticity. He says:

By necessaries I understand not only the commodities which are indispensably necessary for the support of life, but whatever the custom of the country renders it indecent for creditable people, even of the lowest order, to be without.

And he goes on to show that ideas in this respect differed at different times and in different places. Here clearly was scope for an improvement of wages, supposing the labouring classes generally to acquire fresh notions of what their minimum requirements were. Ricardo was quite definite on the point.

It is not to be understood that the natural price of labour, estimated even in food and necessaries, is absolutely fixed and constant. It varies at different times in the same country, and very materially differs in different countries. It essentially depends on the habits and customs of the people. An English labourer would consider

his wages under their natural rate, and too scanty to support a family, if they enabled him to purchase no other food than potatoes, and to live in no better habitation than a mud cabin; yet these moderate demands of nature are often deemed sufficient where 'man's life is cheap', and his wants easily satisfied. Many of the conveniences now enjoyed in an English cottage would have been thought luxuries at an earlier period of our history.

Malthus

And Malthus, who shared with Ricardo most of the odium which was attached to the so-called 'iron law', was a veritable optimist in his belief in education and in the creation of a new attitude towards the begetting of children—a new sense of responsibility amongst married people—as a means of raising wages and improving the condition of the poor.

In most countries, [he said] among the lower classes of people, there appears to be something like a standard of wretchedness, a point below which they will not continue to marry and propagate their species. This standard is different in different countries, and is formed by various concurring circumstances of soil, climate, government, degree of knowledge, and civilisation, &c. The principal circumstances which contribute to raise it are liberty, security of property, the spread of knowledge, and a taste for the conveniences and comforts of life. Those which contribute principally to lower it are despotism and ignorance. In an attempt to better the condition of the lower classes of society, our object should be to raise this standard as high as possible, by cultivating a spirit of independence, a decent pride, and a taste for cleanliness and comfort among the poor.

The economists who followed took up this doctrine with enthusiasm. The 'standard of living' of the worker was substituted in the long-period theory of wages for the 'means of subsistence' as the chief determining factor. Adam Smith's doctrine, that a rise of wages in a stationary condition of society could only be at the expense of profits, continued to be taught. The view, therefore, that the labourers could raise their wages by raising their standard of living, in other words by demanding a higher wage as the price of continuing the supply of labour,

emphasized the opposition between the interests of labour and of capital. Ricardo, in his second edition, said that 'the working classes should be stimulated by all legal means to exert themselves to secure a higher standard of living'. The efficiency of labour, the conditions governing an increase in the total national income, and the question of the extent to which it is possible to raise wages without increasing the total income, were left in the background. Disciples of the English classical school, such as McCulloch and James Mill, so far from believing in the 'iron law', began to teach that there were no limits beyond which wages might not be raised if the workers determined to maintain a high standard, and allowed their numbers to diminish until the demand for labour raised its price sufficiently high. There are grounds for thinking that the doctrine had some influence upon trade-union policy in restricting the numbers admitted to a trade.¹ At any rate, the extreme use of this policy and of the policy of restriction of output by organized labour certainly did much to influence later economists to seek for a more satisfactory theory of wages.

The Wages-fund Theory

John Stuart Mill, though holding fast through the greater part of his life to the doctrine that the rate of wages depended upon the number of labourers, and that restriction of numbers was of foremost importance, showed at a very early stage some signs of uneasiness. 'Improvements in the habits and requirements of the mass of unskilled day-labourers will be difficult and tardy, unless means can be contrived of raising the entire body to a state of tolerable comfort, and maintaining them in it until a new generation grows up.' His proposals were for a state-aided scheme of emigration and the establishment of small holdings. But Mill was hampered by his doctrine of the wages-fund. 'It is not the absolute amount of accumulation or of production', he said, 'that is of importance to the labouring class; it is not the amount even of the funds destined for distribution among the labourers: it is the proportion between

¹ See J. S. Mill, *Principles*, Bk. II, XIII, § 2.

these funds and the numbers among whom they are shared.' It would be unjust to say that Mill believed the wages-fund to be a fixed amount. He believed that it was capable of increase and in a progressive country did increase. But there was an overwhelming tendency for the number of labourers to increase more rapidly. When the wages-fund theory was jettisoned, as it was by Mill himself before he died, the field was left clear for the development of the modern productivity theory. It began to be realized that the average output of labour was all-important, and that 'the absolute amount of production' was indeed, contrary to Mill's early doctrine, of vital interest to labour.

Rent

Leaving wages, we must now turn to the classical theory of rent. The Physiocrats had a theory of rent ready to hand, arising from their doctrine of the net product. Agriculture was the only productive industry, and the surplus it provided went immediately to the proprietors of the soil, who paid the expenses of maintaining the other non-productive classes and kept the balance themselves. The system was justified as being a part of the natural order instituted by divine will as the best arrangement to secure the maximum happiness. Property was the fundamental basis of the natural order and landed proprietorship was the central pillar of the whole system.

Adam Smith, while, as we have seen, disposed half-heartedly to accept the doctrine of the net product, did not take over the theory of the divine origin of private property. He had no exalted opinion of landlords and was quite ready to believe that both landlords and capitalists would enter into a conspiracy to take a large share of the product if they could. 'As soon as the land of any country has all become private property, the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce.' He relied upon the most complete freedom of competition to keep them within bounds.

His explanation of the manner in which the actual rent of

land is determined is rather indefinite and not always consistent. The rent is 'the highest which the tenant can afford to pay in the actual circumstances of the land. In adjusting the terms of the lease the landlord endeavours to leave him no greater share of the produce than what is sufficient to keep up the stock from which he furnishes the seed, pays the labour, and purchases and maintains the cattle and other instruments of husbandry, together with the ordinary profits of farming stock in the neighbourhood.' He distinguishes between the rent of the unimproved land—the site rent—and the interest upon the capital laid out in improvements, and says that often, although the tenant provides the capital and carries out these improvements, the landlord, when the lease comes to be renewed, augments the rent as if he had made the improvements himself. Adam Smith also saw that the rent depends upon the price obtainable for the produce and not the price upon the rent. 'High or low wages and profit are the causes of high or low price; high or low rent is the effect of it.'

Ricardo and Rent

It is to Ricardo, however, and not to Adam Smith, that the credit must be given of framing the explanation of rent which obtained the widest acceptance and has had the greatest influence. The Ricardian theory held that rent was due to two main causes—firstly, to the fact that land differs in fertility and in proximity to the market for the produce and, secondly, to the law of diminishing returns, under which the greater the amount of produce men seek to obtain from a given area of land the larger is the expenditure of labour and capital per unit of produce obtained.

Ricardo developed his theory (and his method has been generally adopted since) by tracing the steps in the settlement of a new country. At first there is an abundance of rich and fertile land, and while the population is small only a portion even of the most readily accessible land is needed for cultivation. At this stage there is no rent, for who will pay for that of which the supply is unlimited? As population expands, however,

cultivators are driven farther afield and must take in less convenient and possibly less fertile land. The cultivator of the worst land in use, however, must receive in the price of the produce sufficient to pay the wages of labour and all the other expenses of production, as well as the common rate of profit upon his capital, otherwise he will not continue in production. If the yield which he gets upon his expenditure of capital is sufficient to do this, then the yield upon the better lands must be more than sufficient. There is a surplus produce upon the better lands, and the whole of this surplus the landlord can take as rent. If the existing tenant will not pay another tenant will, for the rent leaves to the tenant the common market rate of profit upon his capital.

There is no escape from rent by cultivating more intensively the land already taken into use and refusing to go out on to worse land, for the law of diminishing returns will still secure to the landlord his rent. If the user invested one unit of capital upon the land at the outset that one unit must have brought him the normal market return. If he now finds it possible to use two units the second unit will also receive the normal return. The second unit, however, cannot receive as high a return as the first unit owing to the principle of diminishing returns. More intensive use of land means a raising of the average cost of the produce. Therefore if it has become possible to obtain the normal return upon a second unit of capital something must have happened to give a higher return upon the first unit of capital. Herein lies the rent surplus. The landlord can demand the whole of the difference between the return to the first unit of capital and the return to the second unit, which, presumably, is receiving no more than the normal rate of profit. If it subsequently becomes possible to employ still further units of capital the rent will rise, for the landlord can take the difference between the returns to the earlier units, which must now have risen, and the return to the last or marginal unit. Capital tends to be invested upon all land up to that point of intensity which just gives the market rate of profit to the last 'dose' of capital added.

Diminishing returns

So far we have outlined the 'statics' of the Ricardian theory. It was the 'dynamics' of the theory which caused the most controversy, and regarding which there was great confusion of thought. Ricardo said that 'other things being equal' increasing population meant rising rents, for it brought about an increased demand for land, and producers were either driven on to worse land or were compelled to cultivate the older land more intensively. 'The rise of rent', he said, 'is always the effect of the increasing wealth of the country, and of the difficulty of providing food for its augmented population. It is a symptom, but it is never a cause of wealth; for wealth often increases most rapidly while rent is either stationary or even falling. Rent increases most rapidly as the disposable land decreases in its productive powers.' The law of diminishing returns, however, contained a provisional clause which must not be overlooked. Normally every attempt to increase the supply of food and raw material resulted in an increase of average cost, but the increased cost might be avoided by improving the methods of production. The operation of the law, it was sometimes said, rather loosely, might be 'postponed' by the invention of machinery, the discovery of new manures, or the adoption of a system of rotation of crops.

Improvements in method, said Ricardo, have an effect upon rent.

If, by the introduction of a course of turnips I can feed my sheep besides raising my corn, the land on which the sheep were before fed becomes unnecessary, and the same quantity of raw produce is raised by the employment of a less quantity of land. . . . If, by the introduction of the turnip husbandry, or by the use of a more invigorating manure, I can obtain the same produce with less capital and without disturbing the difference between the productive powers of the successive portions of capital, I shall lower rent; for a different and more productive portion will be that which will form the standard from which every other will be reckoned.

When, however, this principle is considered in conjunction with the main theory of rent a difficulty arises at once. It is

the increase of population and wealth which increases rent. But the increase of population and wealth is made possible in the long run only by improvements in the methods of cultivation, by the invention of machinery, and by the application of science to the processes of production. Surely these improvements, which are the necessary accompaniments of the growth in size and prosperity of a community, must in the long run benefit the landlord by sending producers farther afield to take in all the available area and by raising the relative convenience and usefulness of the land near the centres of population.

It is only just to say that Ricardo, in a footnote in his third edition, explained that this theory that improvements caused rent to fall was a short-period theory, and that in the long run they benefited the landlord. But this was not sufficient to clear up the position. It left without any definite answer the vital question what would happen to rent in the future. Would the inexorable law of diminishing returns give to the landlord an ever-increasing share of the wealth produced, so that the increasing numbers living by labour alone would sink lower and lower? Or would improvements of method neutralize the tendency to increasing costs and leave the landlord with something like his present proportion of the total income? Or, again, would scientific invention permit of the growth of population and of the raising of the standard of living of the working classes without driving producers to resort to more intensive cultivation? If so, the landlord's share would become a smaller and smaller proportion.

The answers given to these questions by different writers had a considerable influence upon political thought and agitation in the nineteenth century. Bastiat and the American economist Carey believed that improvement of methods benefited labour alone, and that the share of the capitalist and the landlord in the net product of industry must continually diminish. On the other hand, socialists like Rodbertus were disposed to accept what they regarded as the Ricardian view, and held that so long as the capitalist system was permitted to continue the landlords would take an ever-increasing share of the produce

The Single Tax

Henry George, an American journalist who was greatly influenced in his views by the rapid growth of land values around San Francisco where he lived, published in 1879 a work entitled *Progress and Poverty* which, though it can scarcely be regarded as a scientific work on economics, had a widespread influence. He adopted the narrowest possible interpretation of the Ricardian theory. The remuneration received by capital and by labour was determined by what they were able to produce from the margin land—the land which paid no rent. The share which they each received of this marginal product was determined by competition between them. If wages tended to rise they could only do so at the expense of interest, and the result would be an increase in the supply of labour and a reduction of the supply of capital (which was merely the produce of a particular kind of labour), the balance being thus restored. Together they could not receive more than they produced at the margin. Elsewhere than at the margin the landlord received the whole of the surplus. Improvements of method brought no benefit either to labour or capital. They still received the marginal wage and the marginal rate of interest. The total amount received in wages and interest increased, it was true, but only because the number of labourers and the volume of capital increased. Allowing for this, the whole of the increase of wealth arising from the advance of civilization went into the pockets of the landlord.

Henry George, it should be noticed, was not a socialist. He did not share the view of the socialists that capital exploited labour. The landlord exploited them both. His remedy was not the socialization of all the means of production and the abolition of private property. He proposed to adjust matters as far as possible through the medium of taxation. It was a corollary of his theory that all taxation was incident upon rent. While labour could not receive more than the marginal wage or capital more than the marginal rate of interest, they could, nevertheless, not be given less, or the supply of labour and

capital would diminish. Therefore all taxes upon wages and interest, and all taxes upon commodities consumed by the labourers and the capitalists were really deductions from rent. Remove these taxes and the landlord would be able to raise his rent. Why not, then, attack him directly? All taxes should be abolished except one single tax upon the rent of land, rent being understood in the strict Ricardian sense as a payment for the natural properties of the soil apart from improvements in the form of drainage, fences, and buildings, which are capital invested in the land. The tax should be increased until the whole economic rent is taken by the State. The revenue so derived will be sufficient to defray all the expenses of government, and any surplus should be used for the extension of social services.

Henry George's works were widely read both in America and in Europe, and the principles they contain formed the logical basis of a widespread agitation for the taxation of land values and for the nationalization of land. Persons who were not perhaps prepared to confiscate existing rents devised or gave their support to schemes for the appropriation by the State of future increments of the value of land. The Ricardian theory, illustrated in popular text-books by a Euclidian diagram, was easy to grasp, and undoubtedly made rent in the minds of many politicians a peculiarly objectionable form of unearned income. For capital to exist some one at some time must be thrifty. Interest was a reward of thrift. Profits were a reward of management or for taking risks. Rent, on the other hand, was a payment for no service at all. The landlord fattened upon the law of diminishing returns. Hence many people who would not support socialism gave their whole-hearted support to plans for the taxation of land values or to other schemes for the whole or partial socialization of rent.

Quasi-rents

In defence of the landlords it was put forward, amongst other arguments, that the unearned increment of land value was not by any means the only form of unearned increment.

The wisdom of using such an argument is doubtful, for if the landlord is a malefactor it is no defence to say that he is merely one of many. Nevertheless it was a defence that set economists reconsidering their theory. There were in the writings of Senior and also of Mill the germs of the idea that other kinds of property, material and non-material, besides land yielded a rent. But as the nineteenth century passed on Walker in America,¹ Karl Menger in Germany,² and Marshall in England³ developed fully the notion that rent was merely one species of a large genus. Once capital has taken a fixed form it often acquires characteristics similar to those of land. It may, for example, become associated in use with the name and goodwill of an old-established firm whose products are widely used and appreciated. Such capital, with the name and goodwill attached, can be no more easily increased in quantity than land in the centre of a city. The remuneration its proprietor receives is not a competitive market rate of profit and does not tend to a normal. The conception of the 'usual rate of profit common to such businesses', which was worked so hard by the classical writers, does not help to explain the payment of high rates of dividend by such a firm over a long term of years. Goodwill to a business is what fertility or position is to land. And a business without a goodwill is like land on the margin of cultivation. Goodwill may be a less permanent characteristic, but while it lasts it brings a profit which is determined in precisely the same manner as the rent of land. And there are other factors which produce what Marshall called 'quasi-rents'. An invention or industrial process, of which one firm has a monopoly, the exclusive right to print and publish some widely used compilation, or the exclusive call upon the services of some particularly efficient individual, such as a good manager, a popular singer, boxer, baseball player, or film 'star'—these all produce profits which are of a nature similar to rent.

As these ideas have spread the sharp line drawn between

¹ *Quarterly Journal of Economics*, April 1887, p. 278.

² *Grundsätze der Volkswirtschaftslehre* (1872), p. 148

³ *Principles of Economics* (1890).

rent and profits, and between the method by which the value of land and that by which the value of other property is determined, has become fainter. One economist, Edwin Cannan, abandoned it altogether, as well as the whole classical framework of the theory of distribution, and spoke only of the 'incomes of workers and of property-owners'. Others are still reluctant to abandon the separate theory of rent, though agreeing that it is merely one example of a large class of incomes.

Such, then, in outline, were the theories put forward by those who, from Adam Smith's day down to the end of the nineteenth century, endeavoured to build up a scientific explanation of the manner in which incomes are settled under a régime of capitalism and private property. It was inevitable that those who were dissatisfied with that régime and who believed that fundamental changes ought to be made should submit the classical doctrines to a searching examination.

Socialists and economists

To the socialist the economist appeared, not perhaps to be definitely in opposition, but rather to be always putting difficulties in the way. At the bottom of this was his inherited tendency to a strong belief in *laissez faire*. He was full of scientific laws regarding income and value which he held to be as inexorable as the laws of natural science. Ricardo speaks continually of 'the natural price of commodities', 'the natural advance of society', 'the natural price of labour', 'the natural tendency of profits to fall'. He has little to say regarding any interference by the State with this 'natural' distribution of income, but where he does mention such interference, the poor-law, for example, it is always to condemn it. 'Like all other contracts, wages should be left to the fair and free competition of the market, and should never be controlled by the interference of the legislature.' The poor-law, instead of making the poor rich was, he said, calculated to make the rich poor.

Bastiat earned for himself the reputation in France amongst the socialists of being the arch-apostle of the existing order of

things. He was the leader of the optimistic economists. He threw over the pessimistic doctrines of wages and rent expounded by Malthus and Ricardo, substituted a body of theory which pretended to show that while the total income of the community under a system of non-interference must always increase, and while the absolute amounts received by labour, capital, and the landlord will all grow larger, yet the share which labour receives of the total must also increase. The free interplay of economic tendencies was a divinely ordained social harmony out of which there must spring inevitably the greatest good. Competition brought about a continuous cheapening of commodities and services as well as of land and all the means of production. It secured that the interest of the consumers, the whole of the people, should always be advanced at the expense of that of the producers, a section of the people. Every advance towards greater cheapness of goods meant a fall in the value of property and in the power of the owners thereof. He told the communists that while they dreamed of a future communist state, it was here ready to hand, and natural forces were straining to establish it if only all artificial interferences could be removed.

The extreme *laissez-faire* doctrine regarding the distribution of income reached its zenith in England, perhaps, in J. R. McCulloch, and he must be given the credit of showing that the Combination Laws, supported as they were by *laissez-faire* arguments, were really quite opposed to the true spirit of that doctrine. He believed that workmen should have the right to strike.

From McCulloch's time opposition amongst economists to State interference with wages, with the relations of labour and capital, and with the condition of the working classes began to break down, though it died hard. J. S. Mill was at the outset a follower in the main of the doctrine of non-interference, though from the beginning he allowed exceptions. But he died a socialist. Yet as late as 1882 William Stanley Jevons published a little book entitled *The State in relation to Labour*, in which he still found it necessary to deal at considerable length with the issue between the believers in natural liberty and the advocates of

social legislation. The essay gives a very fair idea of the state of opinion amongst English economists at that date.

We shall do much better in the end [says Jevons] if we throw off the incubus of metaphysical ideas and expressions. We must resolve all these supposed principles and rights into the facts and probabilities which they are found to involve when we inquire into their real meaning. The right of a man to dispose freely of his labour means the recognition by the legislature that in the majority of cases a man is the best judge of his own interests in disposing of his labour. In a number of cases specified in the Statute-book, the legislature recognises an opposite state of things. The principle of the freedom of trade stands on the same footing; it is a probability of advantage which, however, must be set aside in case of greater probability of evil.

This position was reached, however, only when the nineteenth century had more than half run its course. In the first half all orthodox economists in all countries were strongly against anything more than the minimum of interference by the State with the internal economy of the community. Nineteenth-century socialism, mainly of French and German origin, regarded 'political economy', as it was then called, as a body of doctrine which taught that any interference with the existing order of society could only worsen the condition of the labouring classes. And the socialists knew also, and were disposed to make the most of the fact, that a very influential branch of classical economics taught that the natural tendency was for the working classes to multiply up to the limit of subsistence, and that their increasing numbers and constant pressure upon the supply of cultivable land tended to give to the landlord a higher and higher rent.

SOCIALISM AND MARXISM

WE have already given some attention to the English socialism of the early nineteenth century. In so far as it had any theoretical background this was confined to the associative ideas of Robert Owen. The doctrine of State socialism was almost entirely absent. The forerunners of the modern socialists were chiefly French and German theorists.

Sismondi

But even amongst these latter we must distinguish between those who merely expressed grave dissatisfaction with the existing condition of things and with a mere policy of non-interference, and those who hoped for and worked for the complete socialization of the means of production. The spread of the factory system, with the serious evils which attended it in the early days, gave rise to a whole body of criticism of capitalism which could never have arisen so long as industry remained upon a small scale and the personal relationship between employer and workman continued. The conditions which in England inspired the views and propaganda of Robert Owen gave birth on the Continent to those of Sismondi. He was a close student of Adam Smith and the classical school, and accepted much of their doctrine. But he had first-hand experience in Italy, Switzerland, and France during the severe depression which followed the Napoleonic wars, and he became thoroughly dissatisfied with the method of classical economics in that it did not set out with the express object of finding cures for economic ills, being content merely to build up a body of abstract theory. He criticized particularly the deductive method of Ricardo, contrasting it with Adam Smith's persistent appeal to history and the facts of industry in all parts of the world. In this respect Sismondi may be regarded as the forerunner of the German historical school of economists, Roscher, Hilbrand, and Knies, who were disposed to deny the existence of general principles in economic matters.

Sismondi directed his attention especially to the question of commercial crises. He attempted to prove, in opposition to the doctrine of the classical school, that general over-production was possible, arguing that if the production of any one year exceeded the income of the previous year a surplus must remain unsold. He actually debated the matter orally with Ricardo at Geneva, and the latter seems to have had the better of the argument to some extent, for Sismondi modified his view slightly.

He attacked the classical economists also for giving an incentive to unlimited production. They were the friends of the consumer. Plentiful supplies of commodities and greater and greater cheapness was their idea of economic progress. Sismondi entered the lists on behalf of the producer, emphasizing the lack of fluidity of labour and capital, in making light of which, as we have seen, classical economics was open to serious criticism. 'Let us beware', he said, 'of this dangerous theory of equilibrium which is supposed to be automatically established. A certain kind of equilibrium, it is true, is re-established in the long run, but it is only after a frightful amount of suffering.' He brought out the short-period evils of the introduction of machinery into particular industries. He did not deny its advantages in the long run, but the immediate effect was to cause unemployment in the industry adopting it, increase the competition for employment elsewhere, and cause a general lowering of wages. His appeal was for a more earnest consideration of the economics of the short period and for an attempt to remedy the evils thereof. 'In the long period', says a modern economist, 'we are all dead.'

Sismondi, however, as the champion of the producer against the consumer, did not take up the protectionist position. He believed that labour was the chief sufferer in the disequilibrium arising from uncontrolled production. It was the working-class producer he was most concerned to defend, not the industry as a whole, which is the protectionist attitude. The growth of the factory system had extinguished the intermediate class of small proprietors. 'Society no longer has any room save for the great capitalist and his hireling, and we are witnessing the frightfully rapid growth of a hitherto unknown class—of men who have absolutely no property.' He accepts the subsistence theory of wages and deduces from it that increasing production merely concentrates more and more wealth in the hands of the few.

Sismondi was not a socialist. His remedy for the evils of the new era of factory industry was not the socialization of all property. He wished for a return of the old personal relationship

between master and workman. He hoped to convince employers of the desirability of admitting their work-people to a share in the ownership and control of the capital of their industry. He thought that every industry should give to the people engaged in it a 'professional guarantee', so that they should have the right to be maintained out of the revenues of the industry during sickness, unemployment, or old age. He did not work out his plans in detail, but his principles were those which lie at the back of modern schemes of profit-sharing, of employees' committees, and of unemployment insurance industry by industry, as distinct from social insurance. Sismondi is important as the first economist to conceive the idea of control of production from within the industry to obtain the security which *laissez faire* fails to provide, while retaining the principle of self-determination and the incentive of private profit.

Saint-Simon

Much nearer to State socialism than Sismondi were the followers of Saint-Simon. The latter was a French nobleman who narrowly escaped death in the Revolution, and who, on his release from prison, stood forth as the founder of what became almost a new religion. He was filled with enthusiasm at the vast possibilities opened up by the new methods of production which were spreading through Europe and America. He called upon the politicians and statesmen of the time to turn their attentions away from the petty quarrels over the rights of the people and systems of government, and seize the opportunity which awaited of forwarding the great industrial state of the future. Government should pass into the hands of a committee of industrialists, whose sole concern should be to develop the productive capacity of the nation to the utmost. Saint-Simon himself treated property tenderly. His view was that it was not so much the capitalist who was the enemy of labour as the idle classes, the nobility, the wrangling politicians, the civil service, and the clergy. But his followers went much farther. They founded a sect with a body of leaders actually living together as a quasi-monastic community, with many

branch organizations spread throughout France. Very soon criticism of private property began to creep into their teachings. The notion that the worker was exploited by the owners of land and capital commenced to spread, and with it the view that labour alone was the creator of all wealth.

The laws of inheritance came in for special attack. It was they that perpetuated the exploitation begun in one generation. And it was by abolishing the right of inheritance that the Saint-Simonians hoped to achieve the revolution they desired. At a certain date individuals would lose the right of transmitting their property after death to their heirs or nominees. The State should become the heir of every one, and as the property fell into the hands of the State it should be administered for the general welfare and use. Idleness would be abolished. All adult persons would be graded according to their abilities, and put to the tasks for which they were most fitted. A group of leaders at the top, the men most fitted to govern, should manage the whole organization, and should distribute the national income. The principle of distribution was to be payment upon a scale determined by the usefulness of the individual to the State. The Saint-Simonians, it should be noticed, were not communists. They did not believe in community of property, nor did they favour equality of income. Their influence was widespread in the France of the early nineteenth century, where many of them, following the original doctrine of their founder, took a practical part in advancing the economic organization of their country and the world by improving the credit system, extending the railways, and devising the first scheme for the Suez Canal. Their writings were widely read outside France, and Marxian socialists have often admitted their indebtedness to the followers of Saint-Simon.

Fourier

Contemporary with these men but in a group quite apart and indeed unconnected with State socialism, are those generally known as the associative socialists. We have already dealt with the ideas of Robert Owen, who was one of them. In France

Fourier advocated the setting up of numerous self-sufficing communities living and working together, the workers owning the capital and choosing from amongst themselves the administrators. The product was to be divided according to a fixed schedule, capital to have one-third, labour five-twelfths, and the managers three-twelfths. Large towns were to be dissolved and the small communities were to settle upon areas chosen for the beauty of the setting, where a close contact with the soil would be possible for all, and where labour sufficient to supply all reasonable needs would be undertaken as a pleasure rather than as an irksome task. There was a good deal of the spirit of Ruskin and William Morris in Fourier's teaching.

Louis Blanc

Louis Blanc, whose views received widespread attention mainly because of the part he played in the Revolution of 1848, advocated much more practical methods of establishing the principle of association. In the usual manner of extreme propagandists he traced practically all the evils, economic and social, from which the community suffers, to unrestricted competition. His remedy was the setting up of social workshops, not self-sufficing, upon the lines proposed by Fourier, but producing for the general consumer in the usual manner. He did not rely upon voluntary association, because the poorer work-people had no means of obtaining capital. The State was to take the initiative and provide the capital. Unemployment would be abolished, because every one would have the right to work in the workshops.

His proposals for the division of the product are of great importance. He did not accept the Saint-Simonian principle of payment according to ability or usefulness to the State. At the outset he advocated sharing the product according to the needs of the producers. He was one of the earliest teachers of the doctrine that the community should receive 'from each according to his faculties' and distribute 'to each according to his needs'. Later, however, he realized the difficulties of carrying out this principle and abandoned it in favour of complete

equality of remuneration. This, he said, might seem strange and unfair at the outset, but that was because people had been educated to believe in class distinctions. Under an improved system of education and with the spread of a higher social morality, equality of payment would appear quite natural.

Louis Blanc was nearer to State socialism than either Fourier or Robert Owen. While they relied upon voluntary association, he called in the help of the State to give the revolution its initial impulse. The outcome, however, of the teachings of the associative socialists as a group was rather the furthering of the co-operative movement, both in England and France, than any addition to the strength of the main body of socialism.

Proudhon

The immediate forerunners of Marx were Proudhon and Rodbertus. It was the former who launched the first definite frontal attack upon private property. All wealth was the product of labour alone. Land and capital by themselves could produce nothing. Therefore when their owners took a share of the produce this was no better than robbery. Proudhon held a theory of value which bore considerable resemblance to the labour theory, and, indeed, he almost arrived at the Marxian doctrine of surplus value. As a result of the organization of labour employers received a vast amount of income in excess of the amount they paid to labour. Two hundred men working in co-operation and organized efficiently could perform a task in one day which no single man working alone could perform in two hundred days, or, for that matter, in an unlimited time. Yet the daily wage of each of the two hundred men would be the same as if they worked independently of one another upon separate tasks. All the advantage of co-operative effort remained with the employer, giving him a surplus which, though he himself had not earned it, he kept for himself.

Proudhon's theories, however, were by no means profound, and it was not difficult to find flaws in them. As regards socialism proper, he was continually in a dilemma. To abolish unearned income it seemed necessary to set up the collective

ownership of property. But he must have liberty, and collectivism of any kind, whether it were socialism or communism, would curtail liberty. Capitalists were able to rob labour because labour was not free. The liberty and independence of labour was the great end to be worked for, which meant securing to the labourer the ownership and possession of the capital which he created and which he needed for his work. In actual practice the robbery of the workman by the capitalist was perpetrated through the medium of the monetary system, for all wages, interests, and rents were paid in money. From this notion arose Proudhon's only constructive proposal. He advocated the setting up of an Exchange Bank, which would issue exchange notes in payment for goods and accept them in return from purchasers of the goods. The notes would be inconvertible into bullion and no reserve need be kept against them. Hence the bank would require no capital and need charge no interest or discount upon the notes. Producers would be able to obtain both their fixed and their circulating capital from the bank in the form of notes free of all interest. Apparently a person who had no goods to sell to the bank, and who wished to commence a business, was to give a promissory note, which the bank, 'after taking due precautions', would exchange for circulating notes, which would pass into circulation through the hands of the persons who supplied, say, the materials for building the new factory. Thus, said Proudhon, the quantity of notes in circulation could never exceed the community's requirements, for they would be issued only against goods actually in existence.

The plan was merely a scheme for monetary inflation. In its essential principle it did not differ in the least from all the other 'free credit' schemes which have been invented from the time of John Law to the present day. In 1849 Proudhon attempted to set up a bank known as the People's Bank, not quite upon the lines of his proposed Exchange Bank, but nevertheless with the object of demonstrating the practicability of cheap if not free credit. The project, however, was stillborn.

Thus, although he attacked the capitalists and landlords for the use to which they put their property, Proudhon did not

propose either to abolish property or collectivize it. He attacked the communists and the socialists with almost as much vehemence as he attacked the property owners. And during the years immediately preceding the Revolution of 1848, in a series of violent but eloquent outbursts, he brought out the weaknesses of the existing economic system and of all the suggested alternatives, leaving the mind of the reader somewhat confused, but with one impression standing out with great vividness, namely that labour was being defrauded of its just reward. It was in this respect that he must be regarded as preparing the way for Marx. Marx, indeed, attacked many of Proudhon's doctrines, for the latter was an extraordinary mixture of contradictions, which included at least as much of that which was opposed to Marxism as of that which was in sympathy with it.

Rodbertus

One step nearer to State socialism was Rodbertus, a man whose doctrines are less confused and contradictory than those of Proudhon, but who, nevertheless, hesitated to go the whole distance towards the socialization of wealth. He was a German landowner, and it was chiefly his fear of the consequences of a revolution carried out by the uneducated masses which prevented him from giving whole-hearted support to socialism. He pointed out, perhaps more clearly than any of his predecessors, that under the existing system production is carried on to satisfy effective demand, not to satisfy the people's needs. Unless the power to purchase is available as well as the desire to possess, goods will not be produced. And the power to purchase is largely in the hands of individuals who have never worked. It is they who determine to a great extent the direction of production and cause a considerable part of the efforts of labour to be used up in the satisfaction of less urgent wants, while the primary needs of many members of the community remain unsatisfied. This would be remedied if the power to purchase were distributed justly. Rodbertus's canon of distribution was that each should receive according to his contribution to production.

Rodbertus accepted the iron law of wages, holding that the producer received merely what was sufficient for his own maintenance and for the raising of his family. And since every improvement in the methods of production meant an increase of the worker's output, it was clear that labour's share of the total produce must be continually dwindling. Here was the explanation of recurring commercial crises. Employers were constantly increasing their output of the goods which labourers consumed, while the latter were given a diminishing share of the total output with which to purchase those goods. In this part of his doctrine Rodbertus drew very near to Marx.

He acknowledged that under the existing system many property owners had earned their right of possession, and he realized that the full-fledged socialist would have to meet the uncompromising opposition of most of these people in promoting his schemes of expropriation. He therefore despaired of abolishing private property immediately. He accepted what has in recent years been termed 'the inevitability of gradualness'. The process would be evolutionary. But something might be done at once to soften down the worst features of the existing system, and he proposed to commence by attacking freedom of contract, particularly of the wage contract. He framed a plan for the issue by the State to each employer of a number of wage coupons in return for which he would be compelled to supply a definite quantity of commodities. The workers would be paid in wage coupons and would use them to purchase commodities from State shops. The number of wage coupons issued would be determined by estimating the total value of the product of labour and by deciding how much of that total labour ought to receive. From time to time revised estimates would be made, so that labour could be given a share in any improvement in production which might occur. Thus, in place of a remuneration determined by free competition, the workers would receive under State control something approaching more nearly to their just reward. This was a compromise designed to remove the worst evils of the capitalist system pending the time when all unearned income would

disappear with the abolition of private property. The practical difficulties of the scheme are numerous and most of them so obvious as to render it unnecessary to deal with them here. The plan received little support, but Rodbertus's ideas in general exercised a wide influence, particularly his clear exposition of the difference between production for profit and production for social need and his theory that under free competition labour necessarily received a diminishing share of the product.

Perhaps at this point it may be desirable to put into their proper chronological relationship the various socialistic doctrines which have so far been considered. The ideas were so varied and the plans put forward so different that there is but one feature common to all of them—dissatisfaction with the existing condition of affairs and opposition to a mere policy of non-interference. The associative socialists belong definitely to the early part of the century. Robert Owen did not die until 1857, at the age of 87, but the greater part of his work was done before 1840. His French counterpart Fourier died in 1837. Sismondi was contemporary with Ricardo, McCulloch, and J. B. Say, and launched his very damaging attack upon the classical school between 1818 and 1842. The disciples of Saint-Simon were attacking private property and particularly the right of inheritance in the thirties, though many of them continued to be active well into the sixties. Louis Blanc and Proudhon were most active at the period of the French Revolution of 1848 and Rodbertus is to be associated with the German revolution of the same year.

The Eisenach Conference

During the two decades which followed the year of Revolution the ideas of economists throughout Europe were moving farther and farther away from the complete *laissez-faire* doctrine and were admitting more and more the desirability of State intervention in various ways to promote the interests of the working classes. We have already noticed Jevons's summing up of the position held by economic thought in England in 1882.

But before this, in 1872, a conference mainly of German economists at Eisenach published a manifesto in which they definitely repudiated the optimistic doctrine of non-interference held by the Manchester school, and formed a union for the promotion of what unfortunately became known as State socialism, or, from the fact that its originators were mainly professors, socialism of the chair. It must be distinguished from true State socialism, which advocates the complete nationalization of wealth. These economists advocated the imposition of graduated taxation upon incomes and inheritance, and the gradual widening of the activities of the State by the establishment and extension of social services for the benefit of the masses. Some of them undoubtedly had in mind that ultimately the State might take over the management of the principal productive and transport organizations, but there was no suggestion of sudden and sweeping change, and many of them were in some respects strongly individualistic. They set out, however, to combat the idea inherent in the teaching of the classical school that the State was incapable of performing efficiently functions other than certain essential functions which had always belonged to it, such as the provision of security. They drew upon history to show that the functions performed by the State at different periods had varied widely, and they held that in many respects the State might well be more efficient than private enterprise. Socialism of the chair was scarcely a principle. It consisted rather of the denial of the existence of any principle, declaring that each case must be considered on its merits in deciding whether or not State action would be beneficial. It is significant that Knies, Knapp, Roscher, and Hildebrand, the German historical economists were present at the Eisenach conference.

There is no denying the influence which these economists had in Germany. Under Bismarck old-age pensions and health insurance provided by the State were introduced long before other nations adopted them. It is curious that in England it was the Liberals, who had for long been ardent supporters of *laissez faire*, and who at the outset were the most severe critics

of the Eisenach professors, who in the end became the strongest advocates of their policy, under the title of 'social reform'.

Marx

We are now in a position to place Marxian socialism in its proper relationship to the many other forms of socialist doctrine which the nineteenth century produced. The classical economists claimed to be scientists. As such it was their business to explain the phenomena which fell within their department of knowledge. But they were not content with this. They were politicians as well as economists. They endeavoured to apply their science. Adam Smith and Ricardo attacked State interference with trade and the vested interests which sprang up under mercantilist protectionism. Their disciples went on to attack all forms of State interference in economic matters. It was principally for this reason that the classical economists aroused opposition amongst the earlier socialists. Wherever the latter denied the truth of economic theory it was generally in order either to disprove the beneficence or to prove the viciousness of *laissez faire*. The attitude of Marx was totally different. He accepted the greater part of classical economics, and set out to develop it from the point at which Ricardo had left it. And he sought to prove as a scientific economist, not that State intervention in this manner or that manner was desirable, not that the labouring classes could receive justice by means of some fantastic scheme, such as Proudhon's Exchange Bank or Owen's Labour Exchange, but that the complete socialization of all the means of production was the inevitable end to which evolutionary tendencies must drive the capitalist system.

Karl Marx was born at Trèves in 1818, studied philosophy at Bonn, and became the editor of a radical newspaper. He took an active part in the Revolution of 1848, and afterwards fled to London, where he spent the rest of his life. He published several works on socialism in his earlier years, but his real influence did not begin to make itself felt until the last ten years of his life, and it did not reach its zenith until some time after his death, if indeed it has done so yet. For the greater part of

his career he worked in close association with Friedrich Engels, and although the first volume of *Das Kapital* was published in 1867, the second and third volumes were published by Engels after Marx's death in 1883.

To the great majority of people *Das Kapital* is a fearsome tome. The extreme technicality of the terms and the multiplicity of abstract notions make it as difficult for the average person to read and comprehend as any work upon philosophy or higher physics. It was just the sort of book to appeal to the enthusiastic intelligentsia of the European working-class movements. Somewhat lacking in the critical faculty, and with very little desire to criticize, they hailed its author as the founder of scientific socialism. His immense superiority over other socialists was patent to all, including, incidentally, himself. Instead of a mere cry that property was robbery, he presented the world with a complete new system of economics. The greatness of his learning stood out on every page. Not only could he quote Aristotle and Adam Smith, but he seemed to have read every minor work on economics as well, and could call in the aid of blue books and reports of factory inspectors to support his arguments.

And yet, in spite of tremendous intellectual ability and great depth of study, Marx had very little more of the true scientific spirit than his followers. He compares most unfavourably with the classical writers. They undoubtedly were sometimes inclined, consciously or unconsciously, to defend the existing order of society, but no one will deny that in the main they were seekers after truth. Ricardo, who was primarily responsible for the labour theory of value which Marx seized upon and shaped into the foundation stone of his whole system, conducted a voluminous correspondence with J. B. Say, Malthus, and McCulloch in an endeavour to arrive at a satisfactory theory, and within three years of his death wrote: 'I am not satisfied with the explanation which I have given of the principles which regulate value. I wish a more able pen would undertake it.' Later he told McCulloch that in explaining value both of them had failed. Marx, on the other hand, never

admits a doubt. Throughout the book he speaks with the utmost assurance and forcefulness. Sarcasm and abuse are both used without mercy upon his opponents in the midst of scientific argument. Yet in basing the value of a commodity upon the number of hours of labour required for its production he is compelled to introduce first one qualification and then another until in the end his theory becomes a complete abstraction, entirely out of relationship with actual experience. It is very difficult to avoid the conclusion that Marx had determined to prove that labour was solely responsible for value, whatever there might be to the contrary.

The labour theory of value

Consideration of Marx's doctrine begins naturally with the theory of value, and at the outset some account must be given of the classical labour theory of which it is a development and consideration of which has, for this reason, been postponed to this stage. Adam Smith held the pure labour theory for a somewhat imaginary early condition of society, when production was under individual control and land had not been appropriated. In such circumstances commodities exchanged for one another in quantities determined by the amount of labour required for their production, and the whole of the price received belonged to the labourer. In civilized society, however, it generally happened that the labourer made use of another person's capital and another person's land, and the owners of these two necessary factors would demand a share of the price. There was a natural rate of profit, a natural rate of rent, and a natural rate of wages in each industry, and the natural price of the product was the price which was just equal to the total of these three components and no more. At the same time there was a market price of the commodity, determined by demand and supply, which at any particular moment might be quite different from the natural price.

Ricardo, however, threw over the second part of Adam Smith's theory of value and attempted to establish the pure

labour theory for civilized as well as primitive society. The fact that labour worked with capital provided by somebody else made no difference. Commodities still tended to exchange in quantities proportionate to the total amount of labour required to produce them and bring them to market, which included the labour necessary to produce the raw material, the labour engaged in transporting and manufacturing it, and an appropriate portion of the labour required to produce the machinery of transport and manufacture. Labour, however, differed in quality, and one hour's labour of an unskilled worker could not be taken as equal to an hour's labour of a highly-skilled person. Adam Smith recognized this.

There may be more labour in an hour's hard work than in two hours' easy business; or in an hour's application to a trade, which it cost ten years' labour to learn, than in a month's industry at an ordinary and obvious employment. But it is not easy to find any accurate measure either of hardship or ingenuity. In exchanging, indeed, the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and bargaining of the market, according to that rough equality which, though not exact, is sufficient for carrying on the business of common life.

Ricardo followed this reasoning precisely.

Marx had made a careful study of all the English classical writers, and their influence is clear. Following Adam Smith he distinguishes between value in use and value in exchange. The former bears no relationship to the latter, for the commodities of greatest usefulness often have little or no value in exchange. Setting aside altogether their utility, commodities when exchanging for one another take the form of mere crystallized human labour, and exchange in quantities proportionate to the amount of labour-time required for their production. The standard measure is the labour-time of simple unskilled labour. Where skilled labour is involved its time must be reduced to the standard by multiplying the number of hours by a factor appropriate to the degree of skill.

Skilled labour counts only as simple labour intensified, or, rather, as multiplied simple labour, a given quantity of skilled being considered equal to a greater quantity of simple labour. Experience shows that this reduction is constantly being made. A commodity may be the product of the most skilled labour, but its value, by equating it to the product of simple unskilled labour, represents a definite quantity of the latter labour alone. The different proportions in which different sorts of labour are reduced to unskilled labour as their standard are established by a social process which goes on behind the backs of the producers and consequently appears to be fixed by custom.

This 'social process' is Adam Smith's 'higgling of the market'.

The direct labour required for producing the commodity, however, is not the whole of the labour contained in it. Modern society is a complicated piece of productive machinery. Much indirect labour is necessary if the machinery is to run smoothly. Each commodity is crystallized human labour of many different kinds, and its value is determined by the quantity of 'socially necessary' labour which has assisted in its production. Hence we have precisely Ricardo's theory of value.

The labour theory as held by both Ricardo and Marx was a long-period theory. Marx does not entirely ignore short-period fluctuations of demand and supply affecting market price, but he makes light of them. Ricardo admits that some commodities which cannot be increased in quantity may have a scarcity value which bears no relationship to the quantity of labour contained in them. But both of them are really dealing with value in the long run, with what Adam Smith called the natural, as distinct from the market, price of commodities. Marx's totally inadequate treatment of market price is but little worse than that of the writers who had preceded him. The development of subjective theories of value and the inquiry into the relationship between utility and value carried out by the Austrian school and by Jevons came later. Writing in the 'sixties he had not the advantage of studying these investigations, and even as a long-period theory the labour theory goes seriously astray through ignoring utility.

Criticism of the labour theory

Ricardo had a glimpse of one serious criticism when he spoke of the scarcity value of rare pictures, books, and 'wines of a peculiar quality which can be made only from grapes grown on a particular soil of which there is a limited quantity'. But he made the mistake of supposing that these were unimportant exceptions to the labour theory. There is an element of relative scarcity in the determination of the value of almost every commodity. If there is monopoly at any stage of its production, either in the extraction of the raw material or in its transport or manufacture, then the labour cost so far as that portion of the process is concerned will probably bear no relationship to the value obtainable in the market. It is almost a commonplace of economic knowledge that there are 'sheltered industries' which, although they may not have a complete monopoly, remain sometimes for a very long period sheltered from the full force of competition, by distance, by legal restrictions, by tariffs, or by the prejudices of their customers, and are able in consequence to obtain a high price for the commodity or service they bring to market. It is obvious that the produce of one hour of simple unskilled labour in such an industry does not exchange for the produce of the same labour-time in an industry open to the full force of competition.

Marx's labour theory assumed complete freedom of competition and complete mobility of labour and capital. The capitalist purchased labour-power to produce for him a commodity the value of which would depend upon the quantity of labour-time contained in it. If by any chance the commodity received in exchange contained less labour-time, in other words, if the other capitalist obtained the better of the bargain, then the first capitalist in future would use his capital to purchase labour-power for the production of the commodity temporarily over-valued, neglecting the under-valued one, and equilibrium would be restored. No single theory of the classical economists was more out of accord with the facts of the modern world. Consider the vast amount of highly-specialized fixed capital in the

heavy industries. Suppose the builder of a new factory refuses to give to the steel-maker in exchange for a ton of steel commodities containing more than one-half the labour-time which the steel contains, what is the steel-maker's remedy? He cannot buy labour-power and build a factory himself, for his capital is mainly a rolling-mill and mere scrap unless used for rolling steel. Consider also the very large proportion of the labour of all civilized communities which is employed in retail distribution. What forces are at work equating the labour-time of a shop-walker in a ready-made tailor's shop with the labour-time of a Malayan native tapping rubber trees? The answer is that if there are any such forces their effect is completely swamped by the multitude of other influences which affect the price of suits and the price of rubber.

It is needless to multiply objections to a theory which scarcely any one, whether socialist or not, now upholds. But it is perhaps desirable to notice one further important criticism—important as a criticism of the labour theory, not merely as a theory of value, but as a basis for socialist propaganda. The theory makes the value of a commodity dependent upon the total amount of socially necessary labour-time required for its production. The value of the machinery, tools, raw material, and fuel used in production is simply the labour-time which was required to produce them, and this value is transmitted to the commodities which are produced with their assistance. Thus the sum total of all the labour-time contained in the factory, the machinery, and the raw material, together with the sum total of all the labour-time given to the direct production of commodities, must equal the sum total of the labour-time and therefore the value in the finished commodities produced. This theory, however, allows no value whatever to the time element in the production of capital wealth. The builders of the factory and the makers of the machinery must be occupied for some time before their work is completed and the production of consumers' goods can begin. Meanwhile they must live. They must be supplied with a sufficiency of consumers' goods from society's store until such time as they have a finished factory to offer to

society in return. In an individualist society individuals must be induced to provide this fund of consumers' goods for the use of the army of producers of capital goods. And human nature is such that unless society places a value upon this 'abstinence', as Nassau Senior called it, in other words, unless society pays interest, the fund will not be forthcoming. The value which producers have to pay because the fruits of the labour employed in capital building cannot be enjoyed immediately is definitely included in the value of the consumers' goods when they do arrive, or in other words, interest is a part of the cost of production.

Theory of surplus value

Having established the labour theory of value, Marx proceeds to develop his own original theory of surplus value. This is deduced quite simply from the theory of value and the subsistence theory of wages. The subsistence theory Marx regards as merely a particular case of the general theory of value. Labour is a commodity, and its value, like that of all other commodities, depends upon the amount of socially necessary labour required for its production. The workman must have a certain minimum of necessaries to enable him to continue to provide labour-power, and if the labour force is to be maintained he must be given also a sufficiency to enable him to rear children to replace him. The amount of labour-time required to produce the fund of commodities necessary to maintain the labour force determines the value of labour. This value is all that labour can command in the market and is the wage at which the capitalist is able to purchase labour-power.

It is important to notice, however, that Marx did not suggest that the capitalist vouchsafed to labour merely a bare minimum of subsistence. He adopted the subsistence theory from Ricardo and Malthus in its higher form, which made wages dependent upon the standard of living of the worker, which varied with the conditions of the country in which he lived.

His natural wants, such as food, clothing, fuel, and housing, vary according to the climatic and other physical conditions of his country

On the other hand, the number and extent of his so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development, and depend therefore to a great extent on the degree of civilization of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free labourers has been formed. In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labour-power a historical and moral element. Nevertheless, in a given country, at a given period, the average quantity of the means of subsistence necessary for the labourer is practically known.

Presumably, also, it is possible for wages to improve, if the standard of comfort improves, though Marx does not definitely say so.

The capitalist purchases labour-power at its market value. This value is determined in accordance with the subsistence theory and is outside the control of either the worker or the capitalist. And having purchased it he is entitled to the benefit of its use-value for himself, and its use-value is for the production of commodities. These commodities belong to the capitalist, and he exchanges them for other commodities in a market where values are also freely and automatically determined by forces beyond the control of either labour or capital. The value he receives depends upon the labour-time crystallized in the commodity he has to sell, and this value is always in excess of the value of the labour-power he purchased. The excess is 'surplus value'. The capitalist who first appropriates surplus value is not necessarily the ultimate owner, for it splits up into various parts, and portions of it are paid out as interest, rent, or merchants' profit, to other claimants. But this does not alter the character of the process of appropriating surplus value, which is a process of embezzlement, in that the surplus product is extracted from the labourer 'without return of an equivalent'.

Law of Capitalist Accumulation

We have now an outline of the statics of the economic system as Marx saw it, and although he provides a vast amount of

detailed analysis of this part of his doctrine, we must pass this over and proceed to consider the dynamics of the system. The whole basis of his account of the changes which are in progress in capitalist production lies in his law of capitalist accumulation.

Capital consists of two kinds, constant and variable capital. The capitalist commences with a certain sum of money which, Marx admits, he may possibly have obtained in the first instance as the result of his own labour. This sum he intends to use as capital to produce surplus value. One part he must lay out in the purchase of machinery, raw materials, workmen's tools, and so forth, to be used in production. He must pay for these at their full exchange value and, although they will be used up in production, their value will exactly reappear in the commodities produced, dependent as it is upon the labour-time contained in them. There is here neither loss nor gain of value, and this part of capital is therefore called constant.

The remainder, however, must be used to purchase labour-power, which, also, will be purchased at its market value, dependent upon the labour-time required to provide the labourer with his minimum standard. The labour-power, once acquired, will be used to produce a greater value than it cost. This part of capital, therefore, not merely reproduces itself but produces surplus value as well and is called variable capital.

Surplus labour

Now one of the most prominent features of the development of modern production is the extension of division of labour, the invention of ever more efficient machinery, the continuous application of more scientific methods to industry, in short the constant improvement of the efficiency of the average labourer. And it follows from this that an ever-increasing proportion of the total capital is constant capital, that is, the means of production, and an ever-diminishing proportion is variable capital, or the fund used to purchase labour-power. Hence of every new accumulation of capital a smaller and smaller part goes to labour as wages and there is a permanent surplus of labour-power, that is, a permanent army of unemployed. This 'indus-

trial reserve army' never disappears. The more rapidly the State is progressing, the more rapid the increase in the proportion of constant to variable capital, the greater the number of the destitute. And the existence of this reserve of labour is essential to the success of capitalism. The capitalist, always accumulating surplus value, and ever on the look-out for new openings for the exploitation of labour-power, must have readily available a supply of labour to enable him to seize the opportunities as they occur. Knowing this, he views with complacency the growth of unemployment.

Surplus value accrues to the capitalist only upon the variable part of his capital. Constant capital merely reproduces itself. Hence the increasing proportion of constant capital means a diminishing rate of surplus value, and prompts the capitalist to enlarge continually the sphere of his operations.

The growth of capital and the change in its composition, however, do not go on regularly in all spheres of production. Here we have the explanation of the trade cycle and of crises. In some industries new machinery is introduced and labour displaced with no increase in the total capital. In others the capital and the numbers employed may, for a time, increase together, without any change in the composition of the capital.

In all spheres, the increase of the variable part of capital, and therefore of the numbers of labourers employed by it, is always connected with violent fluctuations and transitory production of surplus population.

The course characteristic of modern industry, viz., a decennial cycle (interrupted by smaller oscillations), of periods of average activity, production at high pressure, crisis and stagnation, depends on the constant formation, the greater or less absorption, and the reformation of the industrial reserve army or surplus population.

Concentration of Capital

Another important tendency of capitalism is the movement towards concentration of capital in a few hands. As capitalism extends, the minimum amount of capital necessary to carry on a business increases. Competition brings the ruin of small

capitalists, whose capital passes into the hands of their competitors. The credit system furnishes the means for collecting together small amounts of capital scattered throughout the community and placing them under the control of individuals. The concentration of capital quickens the process of raising the efficiency of the individual labourer, of increasing the proportion of constant capital and of reducing the rate of surplus value. And so the great industrial combinations are always seeking to extend their operations, increasing the total amount of capital and with it the number of labourers.

The coming downfall of Capitalism

Thus capitalism is continually adding to the number of its enemies, the great army of wage slaves. Marx in his younger days had been a careful student of Hegel, and the dynamical aspects of his economic doctrines have a strong flavour of determinism derived partly from Hegel and partly from the naturalist theories of the classical economists. Capitalist production, as he describes it, has developed naturally and inevitably from a simple system of individual labour, as a result of the 'freeing' of the labourer from feudalism, which involved also the severing of the labourer from control of the means of production. And capitalism itself contains also the seeds of its own inevitable collapse. 'What the bourgeoisie, therefore, produces, above all, are its own gravediggers. Its fall and the victory of the proletariat are equally inevitable.' Marx does not give us details of the future course of the evolution of socialist production. He stops at what is little more than a threat hurled at the capitalists.

The transformation of scattered private property, arising from individual labour is, naturally, a process incomparably more protracted, violent, and difficult, than the transformation of capitalistic private property, already practically resting on socialised production, into socialised property. In the former case we had the expropriation of the mass of the people by a few usurpers; in the latter, we have the expropriation of a few usurpers by the mass of the people.

Marx's view, however, that capitalist production 'begets,

with the inexorability of a law of Nature, its own negation', did not prevent him from doing all in his power to hasten the process. The strict doctrine of determinism does not admit of any call to action. For if individuals can change the course of nature then some part of what happens cannot have been inevitable. The violence of Marx's language against the capitalist is incongruous when considered alongside his apparent belief that the capitalist is the blind tool of natural law. In fact the real Marx was not a true determinist. The extravagantly violent abuse of the capitalist was a part of the stock-in-trade of the preacher of class warfare, of the enthusiast who fervently believed that the oppressed masses must be stirred up to class consciousness if the revolution, which alone could save them, was to be accomplished. The determinism, the belief in the inevitability of that revolution, was the outcome of enthusiasm for the cause, just as all other preachers are apt to believe that great is their own particular truth and that it must prevail.

Criticism of the general theory

We are rather more concerned here with Marx's economics than with his politics. The labour theory of value has been dealt with. The remainder of his theories have as their fundamental basis the subsistence theory of wages. Throughout the whole of the reasoning on the question of capital accumulation and the law of concentration he assumes that the labourer receives merely the minimum necessary to maintain the labour force, or, to put it in the language of the economists, the wage determined by the standard of living of the worker. And while throughout the whole of his argument regarding crises, surplus labour, and the change in the composition of capital, Marx assumes a continuous improvement in the efficiency of labour, he never makes wages in any degree dependent upon the efficiency of labour.

Now if we accept the two cardinal doctrines that wages depend solely upon the workers' standard of living and that the workers' efficiency is continually increasing, we shall arrive at

some of Marx's most important conclusions while dispensing with the greater part of his complex argument. For most of the demand for commodities comes from the labouring classes, and if it is true that their wages cannot rise unless their standard of living is first improved, then the continuous rise in their productive capacity must always be tending to cause over-production. Here surely is a sufficient explanation of crises. And the only way to adjust production to consumption is to turn the surplus capacity on to the making of more producers' goods with which to give to labour a still better equipment and a still higher efficiency. Thus we are in Marx's vicious circle of a continuously increasing proportion of fixed capital and a continuously increasing demand for more labour to exploit. Capitalism is producing its own gravediggers.

But actual experience shows us that a rise of wages does not wait upon a rise in the standard of living. Comparison of rates of wages in different industries and as between different countries shows us that where efficiency is highest, where the market value of the product of the average labourer is greatest, there generally wages are highest. Labour does, in fact, obtain a great part of the benefit of improving efficiency. Orthodox economics would be inclined to argue that this is often due merely to the working of the law of supply and demand—that so long as there is no excess of labour beyond what the industry can employ with its existing equipment, the rate of wages will be equal to the product of a labourer working at the margin of production. Marx would reply that there always is an excess of labour, because capitalism inevitably produces a reserve army of labour, that where in actual fact labour does receive a wage dependent upon its efficiency this is due to the activities of strong trade unions, and that trade-unionism is a part of socialism. He would say that his theories and laws apply only to purely capitalist production, and that in so far as labour, by its own organization, has squeezed from the capitalist more than the subsistence wage, this is a movement away from capitalism in the direction in which the system is inevitably moving.

To argue in this manner, however, is really begging the question. For although labour has successfully established the principle of collective bargaining and has benefited greatly thereby, it does not follow that society is necessarily advancing towards socialism. It is only possible to conclude from observation of conditions as they are at present that in a world where, in spite of the existence of trade unions, private property is still strongly entrenched, the subsistence theory of wages and therefore the greater part of Marx's other economic doctrines do not fit the facts.

Leninism

Marx was one of the founders of the organization known as the First International. His ideas have been the inspiration of the greater part of international socialism in the past sixty years. In Russia Lenin's doctrines were admittedly derived from those of Marx. 'Leninism', says Stalin, 'is the Marxism of the epoch of imperialism and of the proletarian revolution.' Russian revolutionary propaganda in other countries is strictly Marxian in its assertion that the revolution must necessarily spread outwards from Russia until capitalism is swept away throughout the world.

Fabianism

In England the adherents of Marx have been less numerous. He made many converts at the outset amongst trade-unionists, but English socialism has been led chiefly by the Fabian school founded by Sidney Webb. Fabianism accepts the greater part of orthodox economics, and seeks to build up a socialist State by the gradual transference of the means of production from private to collective ownership. The present owners would be given some form of compensation.

Sharing the product

The great weakness, however, of all socialist theories is their failure to explain upon what principle and by what method the annual product of industry should be shared. They all

agree that land, capital, and all large aggregations of property should be transferred into common ownership, and administered for the benefit of the people as a whole. There are differences amongst them as to the form of control, but these are of minor importance compared with the complete lack of agreement, and indeed the almost general vagueness which exists as to what might be called the fundamental canon of distribution.

At an earlier stage of this essay we noticed that *laissez faire* left unsolved two major problems, the reconciliation of the interests of producer and consumer, and the equitable sharing of the product between employer and employed. We have seen how very unsatisfactory is mercantilist protectionism as a solution of the first problem, and we have noticed other tentative efforts to effect a solution. Protectionism and socialism tend to meet. In building up a tariff a government finds it easy to impose duties upon imported commodities which are in demand directly by only a minority of the people; but when it seeks to protect an industry which supplies a commodity used by the majority of the people, a tax often meets with determined opposition. The difficulty has been met recently by the adoption of a system of control of imports, foreign countries being permitted to send only definite limited quantities of the commodity, but to send those quantities free of tax. A further development which, in England, has been advocated by socialists and protectionists alike is the establishment of import boards under State control to regulate imports. Those who would protect the profits of home industry have found themselves supporting a proposal of those who would abolish all profit.

Socialism is the solution put forward by a large body of opinion for the second unsolved problem—the sharing of the product. And yet it is upon the manner of the sharing that socialists differ most. There are three main proposals put forward. State socialists of the more moderate schools, such as the Fabians, who hold that the transition to collective ownership must be gradual, would pay wages and salaries varying according to the grade of work a person performed. There would be differences of income, though the differences would

be much less than at present. In general, people would be paid in proportion to their usefulness to the State. The obvious criticism is that a standard measure is lacking. Is the coal miner worth more than the clerk, and if so, how much more? It is no reply to say that postmen, and in some countries State railway servants, at present accept the State's estimate of their worth, for their wages are fixed by reference to the market rates for similar labour in private employment, which under a complete socialist system will disappear.

The second principle is that of Louis Blanc: 'From each according to his powers, to each according to his needs.' Distribution would disregard entirely the quality of a man's work. His share would be determined by his needs. In Russia, immediately following the revolution, an effort was made to introduce pure communism, giving to all an equal share of the staple consumers' commodities and an equal right to the use of all property. This, however, broke down, and at present the principle of distribution according to need is adopted in some degree. For the necessities of life purchasable at State shops at low prices cards are distributed. Outdoor manual workers and children receive the highest ration of food. Sedentary workers receive a smaller ration. The types of clothes depend upon the occupation and housing accommodation upon the number in family. Over and above the low-priced commodities which his card allows him, however, a man may purchase other commodities at much higher prices, so far as his income permits; and money incomes are not equal. They depend upon the nature of the occupation. Here, therefore, are the two principles working together. The experiment will need much more time before judgement can be passed upon it.

The third possible canon is strict equality of income for all, regardless of age, sex, or occupation. It is worthy of note that Mr. Bernard Shaw, who cannot be taken as representing any school, having examined the other possible methods of distributing the income of a socialist state, arrives at the conclusion that strict equality is the only workable one. And, indeed, it is not difficult to sympathize with a person who is driven to this

conclusion. *Laissez faire* gives rise to innumerable injustices and inequalities, but it does at any rate provide a standard. In the long run the majority of the wage and salary earners receive an income which is roughly proportional to the value of their services in the market. So long as the system of free competition exists neither individuals nor governments can be held responsible for the injustices of distribution. They can point to a blind and impersonal economic law. But should they endeavour to arrange the income of every individual according either to his usefulness to the State or to his individual needs, they will be entirely without a standard of measurement, and their schedule must in every respect be purely arbitrary. Many socialists may well shrink from the task of endeavouring to satisfy the masses of the people that even an attempt is being made to treat them justly.

Shall we then fall back upon exact equality? The plan has the merit of simplicity, and few could fail to understand it. It is, indeed, a little childish in its simplicity. 'Give each of them the same amount, and there will be no quarrelling' is a theory which may serve very well for dividing a cake amongst children, but will it commend itself to the highly-trained engineer as well as to the simple-minded labourer; to the man who rides up on the girder, or tests the new aeroplane, or dives down to the sunken vessel as well as to the plumber's mate; to the manager of the factory, responsible to his government for organizing the labour of a thousand persons, as well as to the time-keeper at the gate? If unequal work produces only equal pay, will not equal pay tend to produce equal work, so that the efforts of those who would otherwise work hardest are scaled down to the level of those who work least? If so, the result of an equal division of the product will be a much smaller total to divide.

And if we are confronted with Louis Blanc's argument, that equality does not appeal to the present generation because of its bourgeois upbringing, but that by education man can be brought to desire it, then we can only reply that our economics is a science of the activities of human beings as we know them. When they change, then the science must change.

Such, then, is the present condition of economic theory in relation to the two main problems which *laissez faire* leaves unsolved. For protecting the producer a large body of opinion favours a wholly unscientific protectionism and a smaller body believes in a more scientific control from within the industry itself. Neither has yet achieved much success without bringing serious disadvantages as an offset. To secure justice for labour we are confronted on all sides with plans for root-and-branch socialism; and the socialists disagree regarding their canons of distribution, and offer no convincing arguments in favour of any. Setting aside Marx's materialistic conception of history, which prophesies the inevitable collapse of capitalism, we might speculate indefinitely upon the most likely direction of future development. Perhaps a compromise between individualism, protectionism, and socialism may be found in State-regulated monopolies working for a limited profit, giving security to labour and capital and a fair division of the product. But such things upon any considerable scale are not for the immediate future. Successful control of production involves the solution of a number of problems the fringe of which has so far scarcely been touched, and will require international co-operation to a degree which at present is hardly realized even in the simplest matters. There must be many bad failures before conscious control can establish itself, and each failure will encourage a reaction in favour of non-interference. *Laissez faire* is by no means dead.

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SOCIETY

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INTRODUCTORY

MOST of us feel at times that we could cut ourselves off from the society of our fellows and be little the worse for the sacrifice. Yet we should be puzzled to state what kind of a creature we would now be, had the experiment been made in the earliest years of our life. Even our unspoken thoughts, that last privacy into which no forces of society can penetrate, are almost exclusively due to our education and environment. Our religion, our morality, our comforts, our pleasures, however private they may seem to us, are in different degrees the result of the fact that we are one among others. It is clear then that, properly speaking, very little that is human should be left unconsidered in the study of society. It is the meeting-ground of philosophy and of all the sciences. It is here that they come together in order to play their parts, to interpenetrate that they may pull their weight in the attainment of man's end in this world, the living of the good life.

It is inevitable that this study to which no consideration seems to be foreign should lose in clarity what it gains in fullness of content, for with its inheritance it receives all the special difficulties of that inheritance. If a man cannot see his way through the problems of religious belief, if he is puzzled by ethics, if he is unable to decide between different schools of psychology, if he knows nothing whatever of the principles of money and trade, he will certainly find himself unable to make any progress in the study of the relationships that exist or should exist between men living together in necessary association. For these relationships are ultimately nothing but the practical solution of the problems of the special sciences. There is no abstract science of society. What goes by that name is rather an examination of the sciences from the wrong end, the end from which their study begins but which is quickly left behind. The

sociologist, for instance, examines religious belief not from the angle of its validity or invalidity, but from the apparent effect on the relationships between man and man; he examines economics not from the angle of what is best, but from the angle of what has the most easily ascertainable effect on human beings. The result is that he comes to a number of conclusions, but, should he try to remain a pure sociologist, he could give no better *reason* for them than the fact that they are the conclusions he discovers. Because they happen, they must inevitably happen. He would remain condemned to ascertain the *practical* solution of the problem of these special sciences, for he has no principles or standards by which to judge of the necessity or value of these practical conclusions.

The sociologist on examining, let us say, society as it is organized in the West finds that within it there subsist certain enduring associations, of which the most stable and important seem to be the family, the Church, and the State. Each of these is, for various reasons, necessary to the good life of each individual man, and yet that very necessity gives rise to conflict and disharmony. The State protects one man from the unjust claims and powers of another: it orders the relations of each to all in such a way that results which make for every one's advantage may be obtained more easily than they could be by a purely voluntary arrangement or association. But to do so it has often claimed powers and privileges which both the family and the Church resent. The Church asserts that man is more than an animal: he has a soul and an eternal destiny; with the means necessary to the attainment of that destiny the State has nothing directly to do. Yet since eternal life is the recompense for the good life, there has ever been a struggle between Church and State about their respective rights and duties. The family, lastly, claims that its necessary function of bringing men into the world gives it rights as to the education and protection of children which no one may take away from it.

It is clear that these conflicts, which are only typical of thousands of others, are settled in practice by a very inadequate compromise which has never ceased in the history of the West

to break down at some point or other. But it is equally clear that the attempt gradually to substitute for this inadequate compromise a harmony in which all interests shall feel that their claims are given just recognition is a problem that involves a thorough and sympathetic understanding of the sources of all the claims. The problem of society is therefore theological, moral, scientific, legal, and economic. There is no quick solution in terms of sociology alone.

In this account of the problems of society as they have contributed to the development of our present solution—in so far as there is one—we shall find ourselves involved in every one of the above aspects, and we shall find that solutions have been inadequate precisely in proportion as they have failed to account for the claims of each of the special studies which have had their contribution to make to the good life of man. It will be noticed that among them we have not, as yet, mentioned what would seem to be the most important of all, the study of politics. The reason is that politics at first appears as a kind of anomaly. Of the three associations which we singled out as being the most stable in society, the State was one only, and yet the science of the State, unlike the science of the Church or of the family or of any other association, seems to claim a special kind of universality. Politics and the science of society are often considered as almost identical, though the same identification is not made between theology and society, and only in recent years between economics and society. Why is this? The answer seems to lie in the curious nature of the State.

In history, the State has claimed an authority greater and more universal than that of any other association. It still has a finality about it with which nothing else can be compared. No one but the State can justly make me the complete victim of force by depriving me of my very life, and yet no form of association finds it harder to justify its own supreme authority. The State is clearly not natural in the sense in which the control of the parents over children is thought of as natural. It may be suggested that the State's authority results indirectly from God's authority, but the relation between the two is not

easily perceived: the State does not claim to be acting in God's name, nor for His glory, nor does the actual exercise of its authority in history reveal clear signs of its divine origin. Furthermore, the authority of the State is not self-imposed in the way in which the authority of a club or of a trade union is accepted by the members who do so voluntarily and for a certain specific purpose. Lastly, the law of the State is not felt to be an obligation binding the individual conscience in the same clear way as the moral law.

It is evident, therefore, that, as a fact the study of society must at once face the special problems raised by this apparent anomaly. So strongly impressed were the earliest Christian theorists of society, the Fathers of the Church, by this anomaly, that they asserted that the State possessed an authority unnatural to man as he might have been; they held it to be the result of original sin. This feeling persisted, and, apart from the Aristotelian revival in the thirteenth century, it was not until the eighteenth century that philosophers recognized that the State was in some way natural to man.

The history of the theories of society has in fact been shaped to a large extent by the problems that arise from the claims made by the State, and the result has been too often to obscure the real issues. Because the individual is so small a portion of society, and because isolated from it he is so nearly a pure abstraction, the forces of society and especially of the State have too often forgotten that his good life is the end of their existence, that, indeed, without him they are definitely nothing but abstractions. Though the State is only one of the forces of society which have contributed to the good life of man, it has in fact not always done so. In the Middle Ages the State, as we know it now, hardly existed, and in the 19th century thinkers—though not rulers—began to realize that the State had not been able to keep up with and adapt itself to the many-sided life of man. Of late, however, the State has re-arisen in a more potent form than ever, the so-called totalitarian form.

Nevertheless, it would be a mistake to overestimate the importance of those theorists who claim that the State is

but one among many other associations, and that therefore its authority does not differ in kind from other authorities. We shall find it difficult to avoid the conclusion that, however restricted and however temporary the coercive power of the State over the individual may be, something which is best described as sovereignty must remain. No man has as yet shown how the disharmonies of common life can be ideally harmonized. Until that happens, one authority must remain which shall have power to settle, for the time being at least, the quarrels of men and of the associations which represent their different interests. That authority, precisely because its function is to impose a settlement which the different parties recognize not to be satisfactory, must come as an imposition, an order, and it must be supported with the threat of force. Furthermore, it is hard to see how such coercive authority can escape the purely accidental limit of territoriality. The power of the State is confined in practice to its frontiers; each person must live within some frontiers and therefore come under the power of a State, but it is an accident under which State he does come. These two *differentiae*, at least, distinguish the authority of the State from that of every other association.

These remarks may give us some preliminary guidance and suggest some preliminary cautions before we embark on the criticism of the most important theories of society which have helped to form its present organization and also to inspire the contemporary criticism of that organization. Our standard must be the good life of each and every person, since the insistence that the organization of society shall do all that it is possible to do from outside the individual to further that good life is an intuition which has spread from the teaching of Christianity to the whole of the Western World. The good life is not a simple idea. In order to find out what it means each of the contributions of the special sciences must be taken into account. Religion, ethics, psychology, economics, all of them must be consulted. Lastly what is known as politics, the science of the State, must hold a special place, though it, like the study of society itself, depends in a very large measure

on the other sciences and it still remains only a part of the wider problem.

II

As we should expect, if the theories of society are ultimately based on considerations that go deeper than society itself, the history of the theory of society since the beginnings of the Christian era finds its most natural division to be theological and ethical. The dividing line between what may be called the Christian theory and the modern theory may be discovered by applying the Pauline doctrine: 'that there is no power but from God, and those that are, are ordained of God.' In the Christian theory either in its fullest bloom in the Middle Ages or in the protests on its behalf ever since, this doctrine is taken seriously and affects the issue. In the modern theory it ceases to be of any practical or theoretical consequence. At most it is kept as a reverend antique, like prayers before the meetings of the House of Commons. In the modern theory, what may be broadly called the spiritual and moral interests of the common life of men are no longer effectively defended by a weakened ecclesiastical authority, they are no longer related to the will of God through a Church which claims to be the natural intermediary between God and man, with the result that they fall more and more on to the shoulders of the individual himself. It is usually held that this modern insistence on the rights of man is one of the glories of Protestantism; 'the theory of natural rights', wrote Professor D. G. Ritchie, 'is simply the logical outgrowth of the Protestant revolt against the authority of tradition, the logical outgrowth of the Protestant appeal to private judgement, that is to the reason and conscience of the individual'.¹ We shall have occasion to qualify this judgement considerably. More true is it to state that the modern insistence on natural rights is due partly to the practical failure of the medieval theory which regarded society as an organism, a hierarchy of associations, each with its appropriate rights and duties, working together for the good of all, and partly to the fact

¹ D. G. Ritchie, *Natural Rights*, p. 6.

that since the exclusion of the Church from the voice of the State there is no one but the individual who can assert them. As Gierke has made clear, the failure to realize this ideal drove powers and rights to the top or bottom of society, to the sovereign or to the individuals, at the expense of the intermediate groups.¹ Locke, the tolerant and broad-minded apologist of the revolution of 1688, may be taken as the first popular thinker who is fully aware of the new conditions. Up till his time, theories of society were dominated, though not limited, by some form of the quarrel between Church and State, and even Hobbes, who is often thought of as the father of modern political theory, was too conscious of the novelty and therefore of the combativeness of the *Leviathan*. He set himself the problem of how to combine the old ecclesiastical and political authorities into one purely secular State. After him, except for special cases, the problem ceased to be stated in those terms at all.

There is a common view which reads the history of European thought as a gradual progress towards the times in which we happen to be born. The study of social philosophy will hardly bear this out. In it we find only unsuccessful protests on the part of the individual against the impersonal forces of the States of which three stand out. The first is the attempt to build a moral State by fitting it with, and making it complementary to, the religious organization of the Church. But forces whose strength the theorists hardly understood were constructing strong, centralized, national States powerful enough to override all rival claimants. Against such a conception of the State arose a new and second protest. Negatively, it asserted once more the sanctity of the rights of the individual; positively, it attempted to think out the problem of how a purely secular State could give expression to the moral nature of its citizens. Though much was accomplished, the irresponsible authority of the State remained too great. A third attempt was and still is being made to assert as against the State not only the political and civil rights of man, but moral rights which cover the whole field of social activity, and especially the rights neglected during the rapid changes of

¹ O. Gierke, *Political Theories of the Middle Ages*, p. 87.

modern industrial organization. And this attempt is now failing lamentably owing to the increasing complexity of the technique of modern social life which enables the State to claim and wield totalitarian authority.

In order to understand the last two protests it is necessary to be acquainted with the character of the first.

It has been said that 'mediaeval political philosophy is in fact exhausted when it has propounded a theory as to the relation of the secular to ecclesiastical authority',¹ and yet that 'the Renaissance may or may not represent a really new beginning in philosophy and science, it did not do so in political ideas and forms'.² The truth of the second statement throws light on the incompleteness of the first. It might as well be said that modern political philosophy is exhausted when it has propounded a theory as to the relation between the individual and the State. These central problems, though they often hid the real issue, are frameworks—familiar settings—in which the vital problems are considered. That there was before the Reformation hardly a modern problem of society which was not discussed those who care to glance at the pages of the *Defensor Pacis* of Marsilio of Padua or at the *De Recuperatione Terrae Sanctae*³ of Peter Dubois may soon find out. The deficiency of the time was not in ideas or theories, but in the means of putting ideas into execution. The history of the period is a record of unsettlement and turbulence, of cruelty and selfish power, of crime and injustice. For one thing there was no police and no central control. 'The glaring contrast between the sublime political and social ideals

¹ W. A. Dunning, *A History of Political Ideas*, i. 132.

² A. J. Carlyle, *Mediaeval Political Theory in the West*, v. 2.

³ This book is one of the most extraordinary documents of an extraordinary age. The social reforms discussed by Dubois include international arbitration, the education of women, the study of modern languages, the marriage of the clergy, and monastic reform. His views on the burning topic of disarmament are worth recording. 'The stronger scholars should be taught military art; others who are found to be poor at letters should be trained in the arts which most of all help military art, such as metal or wood work, for, as the Philosopher says: "Military art is nobler than all other mechanical arts owing to its end, peace, to which it tends." Metal work by which arms are made and, as it seems, carpentry, above all help military art, for the latter needs these two arts most of all.' See *De Recuperatione Terrae Sanctae*, p. 68, in *Les Grands Traités de la guerre de cent ans*, edited by Corneau.

of medieval thought and the actual conditions of constant warfare and brutal savagery was due to the lack of sufficient organization at the basis of medieval culture.¹ Disorder was due 'not to the want of a clear conviction of the rights and duties of rulers and subjects, but to the absence of an effective instrument of government'.² Political technique fell as far short of political theory in those days as theory falls short of technique in our own.

Order and organization are only achieved at the expense of the private person's freedom to do what he pleases, but Christianity has always insisted that certain rights belong inalienably to each person, because he possesses a reason and has a soul which was redeemed by Christ. Here we get the vital difference between Christian society and Greek society even at its best. This spiritual check on arbitrary power suited the ancient constitutional practice of the Teutonic peoples, it liberalized still further a Roman law which itself under the influence of Stoicism had come to recognize what Professor Carlyle has called 'the legal personality of the slave',³ and it helped to create the feudal theory in which rights are balanced by duties and social order is based on contractual justice, itself springing out of the natural law of God and the ancient customs of the land, and yet is softened by the ideal of personal loyalty and of religious and chivalrous obligations. As political organization was developed and centralized, it was natural that the ruler should try to override this customary insistence on the rights and freedom of the individual, and, on the excuse of determining positive law, to claim something not unlike modern sovereignty in law-making; therefore the individual had to look to the protection of the Church which claimed to be the guardian of morality and justice. Whatever may be said of the interested motives of the chief actors on either side, there can be no doubt that the Church in its quarrel with the secular power of either Emperor or King stood for an ideal which we in our day would be inclined to call liberalism. 'It is one aspect and not the least

¹ E. I. Watkin, *The Bow in the Clouds*, p. 35.

² A. J. Carlyle, op. cit. iii. 31.

³ A. J. Carlyle, op. cit. v. 446.

important of a new development of the significance of individual personality, of a new conception of liberty.¹

But this liberalism never became unanchored from reality, as it so often tended to do in later times. Always and in the teeth of the severest temptation, the ecclesiastical party recognized the sacredness and therefore the necessity of secular authority. Such authority was divinely ordained, it was essential to the idea of unity, and it was necessary in practice for the attainment of peace and for the suppression of an anarchy in which all values fall into the melting-pot. But the idea of authority was distinguished from the actual ruler who happened to exercise that authority. Furthermore, any undue pretension on the part of the State was dealt with by the reminder that the State was after all the product of sin; rather than be proud of itself, it should be ashamed of its own necessity. Since in the present dispensation it is but the means for the maintenance of a justice which it does not either prescribe or originate, its particular ruler is only to be obeyed if he is no tyrant, that is, if he respects justice and takes the advice of his counsellors. Since also he rules for the good of all, he must be approved of by all, and if he rules unjustly, he may, according to many, be rightfully slain by the subject who should, however, says John of Salisbury, refrain from using poison since Scripture gives no precedent for this method. Even the cool mind of Aquinas only disapproved of tyrannicide because of the inconvenience that in the end it is more likely that bad men will kill good kings than good men bad kings. Finally, the actual ruler holds his authority in virtue of a pact or arrangement between the people and himself. This is not the artificial social contract of later times, by which an aggregate of individuals was suddenly turned into a society; it is thought of rather as a contract between an organic society and a magistrate elected for certain purposes. The clearest statement was made by Manegold of Lautenbach in the eleventh century:

But is it not clear that, should the man who has been *elected* in order to put down the bad and to defend the good, encourage evil

¹ A. J. Carlyle, op. cit. iv. 385.

in himself, stamp upon the good and himself cruelly exercise on his own subjects that very tyranny which he ought to have driven out, is it not clear that he should rightly lose the dignity *conceded* to him, that the people should be free from his dominion and their subjection, since it is manifest that he has been the *first* to break the *pact* according to which he was appointed.¹

So conscious were the theorists of the time that political authority was fundamentally derived from the community that they reconciled this view with the persuasion that all power was ordained by God by suggesting that the people were an instrument in God's hands, and they interpreted even Papal depositions of rulers as declarations of the Folk or of its representatives.²

It is of course important not to exaggerate. The Middle Ages knew little of what we should call social progress, social reform, humanitarianism. They were not, in the words of William James, 'smitten as we are with the vision of social righteousness'. They had not interpreted the spiritual equality of all men as necessarily leading to civil or political or economic equality. An age of intense faith is an age of action but not an age of toleration: it was not so then, it is not so to-day among those who build the State on the faith of nationalism or class-rule. We shall see that progress in the virtues which the Middle Ages lacked was due, not to Protestantism, but to religious indifference. But if the times were in many ways barbarous, men nevertheless felt that they were living under rough justice and not, except by abuse, at the mercy of arbitrary and irresponsible authority. 'The truth is that the conception that the prince might and should govern according to his own will and pleasure had no relation to the principle of government in the Middle Ages, at least till the close of the thirteenth century.'³ One cannot be too often reminded that the whole edifice of hereditary Divine Right, of Sovereignty, of privilege and arbitrary power against which modern liberalism and socialism have protested, was constructed after and in opposition to the theory and in part to the practice of the Middle Ages. It stands, not for the ideal of the Christian

¹ A. J. Carlyle, op. cit. iii 167 (quoted in the original).

² Gierke, op. cit., p. 46.

³ A. J. Carlyle, op. cit. v. 99.

political theory, but for its practical failure, due to historical circumstances.

Soon, however, 'the logic of facts' prevailed. The hope of founding a spiritual commonwealth in which the secular authority should be at once a source of Divine authority in its own sphere and yet remain nothing but the inevitable means of maintaining the order necessary for man's spiritual life was shattered by the manifest impossibility of finding a practical way of realizing it in a disorganized and unformed society.

As early as the twelfth century, when the more extreme Papalist views were being proposed, the governments of France and England were being organized on a secular basis and were being separated off from the spiritual commonwealth of western Europe. By the fifteenth century this process had gone very far. The French lawyers had decreed that 'a king is emperor in his own kingdom', with the result that the ever more popular Roman law with its formula, 'Quod principi placuit legis habet vigorem', was no longer applied to a shadowy emperor but to a very real king. The renaissance of the Greek idea of the State, the disorganization of public life, the menace of the Pagan East contributed to the centralization of authority under the absolute rulers of the fifteenth and sixteenth centuries, the Tudors in England, Louis XI and Francis I in France, Maximilian in Germany, and Ferdinand in Spain.

The Reformation, both in the countries where the Church became part of the State, and in those where the dissentients, whether Catholic or Protestant, were strong enough to make a serious protest, strengthened in opposite ways the power of the sovereign. If a united Church teaching a universally accepted moral law had failed to maintain its moral supremacy over the utilitarian State, disagreeing Churches teaching doctrines which spread diversity and uncertainty of moral outlook could not hope to accomplish the task. Even the violent protests of the *Vindiciae contra Tyrannos*,¹ which asserted that kings were but

¹ *Vindiciae contra Tyrannos*:—a violent anti-monarchic work, first published in 1579 and often republished, and generally attributed to Hubert Languet. In Dunning's words 'it presented from a Protestant point of view a doctrine which

administrators of a royal patrimony, the wise remark of George Buchanan¹ that self-interest cannot be the basis of the State since it is a double-edged weapon that can serve anarchy as well as authority, the philosophical temperance of the Jesuits, the justification of tyrannicide by both Protestants and Catholics could have little effect in a period which cried for the construction of a new order to meet new conditions. Thomas Hobbes, whatever may be said about the permanent value of his political theory, was fully justified in view of the times, in asking the fundamental question: what is the use and what is the meaning of moral law and justice in a society which is so spiritually and morally disorganized that the essential conditions of the moral life no longer exist? Christian morality in the state of Nature is either heroism or foolishness: on neither can the State be built. A new Leviathan is wanted in which order must be safeguarded and, therefore, morality manufactured by the one power that remains, the arbitrary sovereign. Since Hobbes's day political theorists have never ceased to try to answer that question in a less radical way. It is our task to outline the nature of the answers.

CHAPTER I

JOHN LOCKE

THE religious changes of the sixteenth century did not immediately lead to that freedom of thought which Protestants are inclined to attribute to them. At first the reformers, relying on a direct recourse to the texts of Scripture, taught a doctrine of submission to the secular authorities which went farther than the extremist claims of the Holy Roman Emperor against the Pope in the Middle Ages. Calvin wrote:

Even an individual of the worst character, one most unworthy of radically transformed the attitude which had been taken under the instruction of the leading reformers'

¹ George Buchanan (1506-82), the greatest of the Scottish humanists. His most important work was *De Jure Regni apud Scotos*, in which he holds that the people are the source of civil authority, can limit the power of kings, and punish tyrants. The work was later burned by the University of Oxford.

all honour, if invested with public authority, receives that illustrious divine power which the Lord has by His word devolved on the ministers of his justice and judgment, and accordingly in so far as public obedience is concerned he is to be held in the same honour and reverence as the best of Kings.¹

Later the French Huguenots contrasted themselves with the Catholics because of their own insistence on obedience to the temporal ruler:

When is it usually taught [asked Fétizon, one of their ministers] that Kings depend but on God, and that they have a divine authority which no ecclesiastic and no association of people can take away from them? Is it not in the Protestant religion? Where is it at least lawful to believe that royalty depends upon human authority which remains in the hands of the people who have granted it, or in those of the Church who have taken it away? Is it not in the Catholic Church?²

The English Protestants under Elizabeth had been taught: 'A rebel is worse than the worst prince, and rebellion worse than the worst government of the worst prince has hitherto been. . . . obey princes, though strangers, wicked and wrongful, when God for our sins shall place such over us';³ while as late as the end of the seventeenth century, Jurieu, the popular Huguenot preacher, when irritated by the opinions of the free-thinking and tolerant Bayle, could write: 'It is God's will that the Kings of the earth should despoil the beast [of error] and break its image. Never has any Protestant had anything to say against this, and no right mind will ever understand it otherwise.'⁴

The protests which gradually made themselves heard against such exaggerations were natural enough, and they were not confined to the Protestants. The pamphleteers of the Holy League,⁵ for example, came to conclusions very similar to those

¹ *Institutes*, Bk. IV, ch. xx, § 25, quoted in Dunning, op. cit. ii. 29.

² Fétizon, *Apologie pour les Réformés*, p. 177, quoted in Bastide, *John Locke*, p. 89.

³ From *Homily on Wifful Rebellion*, quoted by Lecky, *Rationalism in Europe*, ii. 194.

⁴ Jurieu, *Droits des deux Souverains*, p. 290, quoted in Bastide, op. cit., p. 95; see also Lecky, *Rationalism in Europe*, ii. 49.

⁵ The Holy League, founded in France during the religious wars in order to defend the unity of the Catholic faith against the danger of the Huguenot prince, Henry of Navarre, succeeding to the throne.

of Buchanan in Scotland or of Althusius¹ in Holland.² In fact, the liberalism of the seventeenth century, the beginnings of the great revolt against authority, whether ecclesiastical or political, against convention and the accepted way of doing things, above all against the *de facto* national State, were due in part to an eternal protest against tyranny, in part to one development of Protestantism, itself protesting against the majority of Protestant teachers, and in part to the beginnings of scepticism and free thought. The Presbyterians and the more extreme followers of Calvin in general were guided on to the path of liberalism against Calvin's teaching by the fact that they flourished in Scotland, France and the Netherlands, where political authority was closely associated with an unacceptable religious establishment or a foreign dominance. Dr. Moffatt in his book *The Presbyterian Churches* shows, for example, how in Scotland Presbyterianism assumed its anti-State and anti-*status quo* attitude through historical circumstances. 'From an important point of view, the Reformation in Scotland turns out to be more than a movement of ecclesiastical cleansing. It was a patriotic outburst against the intrusion of foreigners whether civilian, uniformed, or frocked, in the affairs of Scotland.'³ Even the extreme democratic views of the Levellers show by their very extravagance a kinship with the angry outbursts of the fourteenth-century peasants who sang with their leader:

When Adam delved and Eve span
Who was then the gentleman?

or with the contemporary communism of the Fifth Monarchy men. For the most part the orgy of emotionalism that characterized the doctrines and practices of the extremists was no more than a kind of purging of society which is characteristic of times of excitement, change and unsettlement. Such was the spirit of the Quakers who awaited, drawn sword in hand, the

¹ Althusius (1557-1638), a German jurist who held like Buchanan that 'kings are only magistrates' and that the people are sovereign.

² Sée, *Idées politiques en France au 17^{ème} siècle*, p. 9.

³ Moffatt, *The Presbyterian Churches*, p. 46.

members of the House of Commons, of the fanatics who relied on Isaiah to justify their appearance in the public streets without any clothes, of the Antinomians who renounced all moral laws, of the Familists who gave themselves up to sexual orgies in their meetings.

Nevertheless, in the theology of Calvinism there lay the seeds, not so much of liberalism, as of individualism, of the more extreme kind of democracy. It is in fact impossible to understand the growth of the latter without realizing the essential difference between Calvinism and Catholicism.

Catholicism is a personal religion in the sense that the salvation of all men, of whatever race and creed, is its object, but it is also impersonal in so far as it realizes that salvation is normally in and through the natural world of which men are an integral part. The factors are not only the individual soul and God; they are the soul, the body, the souls and bodies of others, nature and God. Because of this, personal religion is balanced by sacramental and institutional religion. Catholicism is social as well as personal. As a Catholic theologian has written: 'Holy Communion itself is not a private devotion, but a social symbol and sacrament.'¹ This Catholic realization that man is an organic part of something which is at once much wider and more difficult to move than himself, and yet which is destined to promote the good of the individual, prevents Catholic civilization from falling the victim to an unbalanced reforming enthusiasm on the one hand, and from giving way to individualism, utilitarianism, and 'scientific' reform on the other. Calvinism tended to go to the opposite extreme. In emphasizing the personal element and privacy of religion, it taught that the normal method of salvation was so independent of the natural order of the universe that in the end even the soul itself ceased to play any active part in salvation. Salvation is by faith alone, and so far from any priest or other medium being necessary, faith itself depended on election and an unalterable and incomprehensible predestined decree of God. The inevitable result is to remove all appeal to any standard other than that of the

¹ Martindale, letter to Catholic Social Guild, August 1930.

individual's own consciousness or conscience. Each man, having no other guide, is thrown back on to his own emotions and he believes himself justified in doing whatever he *feels* himself called upon to do. Such an attitude simplifies the problem of conduct by substituting good will for order, the subjective good for the objective right. It is essentially idealistic and not realistic. It is the father of change and self-reliance, but often in the face of the 'stubborn facts', in the face of Cromwell's warning: 'I beseech you, bethink you that you may be mistaken.' It has both an unsettling and stimulating effect, and, given any encouragement, a man who has grown up under its influence or been converted by its teaching will be ready either to jump at idealistic and romantic, not to say self-flattering, political ideas or to cling to his own idea of right and to account as merit whatever success he may obtain in his activities.

This Calvinistic or Puritan spirit fitted into the new rationalism and utilitarianism which was making itself felt in the seventeenth century. The essential notes of both in contrast with Catholicism were simplicity, directness, and the unqualified optimism which is one of the effects of determinism built into the Christian philosophy of life. One of the most striking examples of the new spirit was the political philosophy of John Locke.

He was born in 1632; he died in 1704. His life was therefore passed midway between the period of the Reformation and Counter-Reformation and those political and economic changes of the late eighteenth century which are thought of rather as revolution than reformation. Both his character and outlook were typical of this middle period. He was as far removed from religious idealism as from political fanaticism. His thought reveals at every point that new, rational, secular, utilitarian quality, yet it is lit up with a keen defence of the rights and liberties of the individual which is essentially of a religious and moral quality.

The keynote of his actions as of his thoughts was moderation.

I have thought [he wrote in a letter in 1678] that our state here in this world is a state of mediocrity, which is not capable of extremes, though on one side there may be great excellency and perfection,

that we are not capable of continual rest, nor continual exercise, though the latter has much more of excellence in it. We are not able to labour always with the body, nor always with the mind; and to come to our present purpose, we are not capable of living altogether exactly by a rule, not altogether without it—not always retired, not always in company.¹

Yet his life was set in an eventful and turbulent period of history and his thoughts had something in them which was to influence future generations, both in their philosophic outlook and in their political and moral deeds. It was as though explosive ideas whose novelty and force he hardly realized were being manufactured in the peaceful enclosure of the mind of the Oxford don, the political refugee, the old gentleman entertaining the Masham children at Oates in Essex. Though his own life was peaceful and secluded, he was no mere arm-chair philosopher, but a public man, the physician-secretary and to some extent the counsellor of Lord Shaftesbury, the adviser of William III, the intimate friend of the most distinguished English and French political exiles in Holland, of Bishop Burnet, Lord Peterborough, and Tillotson, Archbishop of Canterbury. He lived through two revolutions and may perhaps, as a Westminster boy of seventeen, have seen Charles I's head fall in Whitehall. All through his life he was in touch with great men and great events, but he never became part of them; rather than become ambassador at Vienna he asked to be allowed to return and spend his last years in the Oxford where, on the death of his protector, the authorities had in earlier days contrived to make his life impossible. Perhaps the Guardian Angel that has ever protected that university against the barbarians inspired her to refuse harbour to the distinguished and urbane philosopher and diplomat, scenting that his works offered to the first-comer a weapon so dangerous that it could only be safely handled by one as moderate and level-headed as himself.

This was in fact the radical weakness in Locke's political philosophy: it was a philosophy without authority, without

¹ Quoted in Lord King, *Life of John Locke*, i. 210.

principles, and without sanction other than the enlightened common sense of the philosophic mind. Read with rigorous logic, Locke's principles might justify any revolution. Doctor Richard Price, a hundred years later, was to interpret the Lockian principles of the Revolution of 1688 as establishing three essentially democratic dogmas: the right of the people (1) to choose their own governors, (2) to cashier them for misconduct, and (3) to frame a government for themselves. Yet Locke, as an honest Presbyterian and good middle-class don, time and again qualifies his statements in order to avoid any possible confusion between his moderate Whiggism, his apology for the most staid of revolutions, the most aristocratic of settlements, and the radical doctrines of the Independents among whom he had lived in his youth. But his guarantees against excess ultimately reduce to three double-edged and precarious appeals: the appeal to reason, the appeal to natural rights, and the appeal to majority decision. Remove from the established authority all metaphysical pretensions to Divine right, all the grosser and more obvious instances of arbitrary power against the liberty, property, and life of the citizen, and you have left the revolution settlement, based on his own peculiar understanding of reason, rights, and the majority decision.

For the appeal to reason he was largely indebted to the 'judicious' Hooker. Hooker had been a student and admirer of Aquinas, and his discussion of eternal, natural, and positive law with its dispassioned appeal to reason was a philosophical oasis in the heated controversies of the time. It was Hooker's insistence on a human mediation of Divine authority, on a rational interpretation of the inner consciousness of God's will which gave Locke the clue he needed. Political authority must be justifiable by the use of reason: it is not to be either accepted or rejected blindly because of a scriptural text or a religious instinct. Thus it is no exaggeration to say that Locke's liberalism was by this channel as closely related to the liberalism of Aquinas as to 'the logical outgrowth of the Protestant revolt against the authority of tradition'. Unfortunately, it substituted

for a commonly accepted and clear moral law, under the guidance of the Church, nothing but private common sense and moderation, and for the natural law only the intuition of personal and private rights. It was doubtless inevitable that the old safeguards should be rejected, but Locke, unlike Hobbes before him and Rousseau after him, failed to see the need for adequate substitutes.

Natural rights, that is, certain inalienable, personal, final claims which no power may justly disregard, were destined to be the modern version of what had been known as natural law. Locke still constantly uses the latter term, but the moral emphasis is on rights and not on law. A law represents an order relating together a number of events or actions: it is something common to many things. Rights, though they imply those against whom the rights may be claimed, throw the emphasis on the individual subject of rights. This emphasis was so strong that people confused philosophical abstractions with historical facts: because one may think of the individual in society as an abstract subject of rights, he came to be thought of as a separate, atomic entity, complete with properties and rights, existing prior to society, and as the unit which added to other similar units produces society. This atomic way of regarding the individual tended to turn natural rights into little more than emotions or sentiments, whereas they are nothing but the junctions or *foci* in responsible beings of a system of moral relations founded on the nature of reality. Unfortunately the moral system about which we can argue by the use of the intellect does not touch the imagination nor quicken the feelings, whereas the effects of the system on the individuals for whose good it exists are an ever-present experience: the whole man is aware of them. They give rational support not only to self-love, but to natural benevolence and to what Bishop Butler called 'the public affections or passions'. It is clear that the insistence on personal rights suits the individualism of Protestantism, just as the idea of a common natural law suits the organic view of Catholicism. Both views have their advantages and disadvantages. Viewed as a moral system, the natural law reflects the

impersonality and coldness of a system; it suffers from the danger of subordinating the purpose of the system to the system itself. Some thinkers in the Middle Ages had tended to pride themselves on the symmetry of a perfect system and to forget the good of the individual, to forget the Christian in exalting the Church, to take a mechanistic view of a living organism. It was to reassert this personal aspect of morals and religion, not only against Renaissance Catholicism but more especially against the Renaissance State, that the Reforming spirit of the Council of Trent was found to be necessary. But the change involved the dangerous experiment of substituting for order and a rational system the immediate, temporal and utilitarian feelings of the individual or the political necessities of the State. It is not surprising, for example, that Locke, the popular defender of natural rights, should none the less find political exigencies too strong for him in his detailed defence of what has come to be regarded as one of the fundamental natural rights, the right to toleration.

He had every reason to be tolerant. Though a Christian, his religious outlook was strongly affected by rationalism and utilitarianism. He was well on the way to the broad-mindedness of Bayle and the scepticism of the Deists.

Geneva and Rome have both prevented the simplicity of primitive Christianity.

So that ordination, that begins in priesthood, if it be let alone, will certainly grow up to absolute empire. . . . The Popedom hath been a large and lasting instance of this. And what Presbytery could do, even in its infancy when it had a little humbled the magistrates, let Scotland show.¹

He dreamed of an ethical Church, consisting of small, independent assemblies. In the constitution for Carolina, for which he was partly responsible, he allowed any seven people to found a Church so long as they taught belief in God, the necessity of public worship, and a public attestation of faith. Yet admirable and natural as his defence of the right to toleration was, it was limited in a curious and very suggestive way. It was limited

¹ Quoted in Lord King, *op. cit.* II. 91, 92.

by purely political and utilitarian needs. The vigorous, ethical defence of natural rights, unrelated to a reasoned-out ethical and religious philosophy is, perforce, related to unethical, political needs. Toleration, according to Locke, should be limited to speculative opinions and forms of Divine worship. A man may believe in polygamy, but a book in its defence must be suppressed since the practice of polygamy would weaken public belief in a moral law on which the peace and harmony of the State depend. Nonconformists should be tolerated because they are industrious citizens and because such toleration will cause the King to gain favour with the Protestant princes of Europe; Catholics, on the contrary, whatever be one's personal views about them, must be persecuted, since their allegiance to the Pope makes their religion a State within a State, while their doctrine, that there is no need to keep faith with heretics, would weaken the common conscience on which political order depends. Finally, atheists cannot be tolerated, not because they do not believe in God, but because such disbelief takes away the sanction from the public moral law.

Such a change in attitude towards toleration since the thirteenth century is most instructive. The Middle Ages were politically and nationally tolerant, and in consequence extremely unsettled, but they were religiously intolerant, since the Christian religion was the visible unity of a race essentially moral and religious. By Locke's day politics had already taken the place of religion. Soon political and national intolerance would replace religious intolerance. Locke would have been completely tolerant but for his appreciation of the fact that public order and the needs of the State must rigorously limit tolerance, not in the interests of truth, but in the interests of self-protection. Whereas Aquinas would hold that since man's end is happiness in the next world, political pressure should squeeze citizens into the well-known road to Heaven, Locke, who is only interested in man's happiness here in this world, desires that political pressure should squeeze out of the State every force which could interfere with the conditions of happiness on this earth.

Locke's views on toleration are an important preface to the *Treatises of Civil Government* since they show the beginnings of the conflict between what was left of the organic Catholic system of Divine and human law, viz. the unanchored ethical rights of each and every person, and the *de facto* power of the organized State which was at first founded on arbitrary will and later was to be gradually ordered by the principles of utilitarianism and positive science.

In the second treatise Locke sees the State to be at once artificial and yet so necessary that it must be closely related to nature. It is artificial and onerous in so far as man's moral nature has claims as against the State; and yet those very claims would be meaningless without the order which the State makes possible. His attempt to explain this puzzle is not new, in fact as a method of explanation it is refuted by his own epistemology. The latter was written to reject 'Apriorism and Innate Ideas'; it taught the modern mind to view reality as a system of relations and therefore to criticize any attempt to argue from *a priori* essences to relations, and instead to argue from experience and reflection on experience to nature or essence. But in his explanation of the fact of social organization and relations, Locke resorts to deduction from *a priori* and fanciful premisses. The explanation of society is to be found in its origin, but the origin is not historical in the modern sense, it is a throw-back into an imagined past of logical premisses. What must have happened before there was a State? There must have been a state of Nature. So everybody had said, from the Stoics and the Fathers to Hooker and Hobbes. But they had disagreed about the nature of the state of Nature. Locke's own idea was fairly clearly determined by the strongest tradition, by his desire to refute Hobbes, by his purpose to justify the Revolution of 1688, by his optimistic rationalism, and by his own character. The state of Nature must be sufficiently moral and civilized to serve as a counter-weight to the political State, and yet it must leave sufficient inconvenience to explain the need for the latter. At bottom, Locke sees the state of Nature as a state where men enjoy the characteristics

that were his own. The broad-minded, tolerant, and reasonable philosopher sees himself multiplied a millionfold. Good, kindly, just, equal, free, with innocent and peaceful disposition, men obeyed the voice of their own reason dictating the law of Nature. Whatever disharmony might arise from a conflict of interests had to be settled by the individual, in whose hands alone rested the 'execution of the law of Nature'. Crime also had to be dealt with in the same way. It is clear that this state instead of explaining anything restates the central difficulty which it is to help to answer. In it is found the opposition between 'sweet reasonableness' and the force behind the execution of the law of Nature, the opposition not only between good and evil, but between the individual's idea of good and his neighbour's. The state of Nature was at one and the same time better and worse than the 'politic body'. It was better because man was supposed to be free and to enjoy his natural rights; it was worse because want of order and the inevitable clash of interests and of ideals made that freedom even harder to enjoy, in practice, than in the political State. Locke was at once caught in a dilemma. If the state of Nature was such that man felt the need to create a 'politic body', it was useless to appeal to it in order to find the justification for freedom and rights. To do so was to appeal from an order where there was some chance of moral freedom to a disorder where there was none. If the state of Nature was so reasonable that freedom in it flourished, then it should be restored, as Rousseau at first taught, and the passage from it to the 'politic body' was retrogression and not progress. This difficulty was common to the whole school of seventeenth- and eighteenth-century liberalism. Instead of trying to think out how the State could be one expression of society, viewed as the organization of man's religious, moral, and worldly needs, it opposed man, carrying his social nature and needs on his back, to the *de facto* State. No permanent solution could be found on that line, since on the one hand the argument of the ethical reformers tended to become purely anarchic while on the other the conservatives like Hobbes were forced into the defence of unlimited State

sovereignty. Locke tried to hold on to both sides, but without success.

The link between the ethical individual and the arbitrary State depends on the old conception of a contract. It is no longer, however, the medieval contract according to the terms of which a ruler undertook certain functions for the benefit of a society *already* united by religious and moral outlook. The *existence* of political society itself now depends upon it.

Because no political society can be, nor subsist, without having in itself the power to preserve the property, and in order to punish the offences of all those of that society, there, and there only, is political society where everyone of the members hath quitted the natural power, resigned it up into the hands of the community in all cases that exclude him not from appealing for protection to the law established by it. . . . The community comes to be umpire. . . . This puts men out of a state of Nature into that of a commonwealth, by setting up a judge on earth with authority to determine all the controversies and redress the injuries that may happen to any member of the commonwealth.¹

This quotation makes clear enough the nature and purpose of the contract. Each person agrees to solve the difficulty that results from his being judge in his own case by handing over his right of executive power to the community or its officers. To be effective this power requires to be able to decide what is the proper object of its executive decisions, that is, it requires the right to determine what is politically right and what is politically wrong. Locke of course as a defender of individual rights and liberties has to try and avoid such a Hobbesian tyranny. He can only do so by re-emphasizing the fact that right and wrong are clearly determined already in the state of Nature, since men in it live under the law of Nature. But if so, we have made no progress. What is the use of the Contract? All it does is to exchange an order of society in which men judge of action in accordance with the law of Nature, that is, according to a moral standard, for one in which they judge in accordance with the decision of the majority, that is, according to a standard in which there

¹ Locke, *Of Civil Government* (Everyman edition), pp. 159, 160.

is no guarantee of morality, and which is enforced by physical compulsion. Though in Locke's theory natural rights are prior to the State, yet simply because no man is a good judge in his own case, the State must claim, by a majority decision, to decide what is a natural right. Hence the contradictory attitude of the eighteenth-century liberalism: man asserts his rights against a State theoretically based on those rights but practically forced by the purpose of its existence to declare for its own interest and self-protection what they are. So far the logic of Locke's theory would seem to force him into the non-moral position of Machiavelli or Hobbes. But his idea, of course, is not to hatch the 'politic body' out of the natural-state egg, but to inject into the already existing 'politic body' the morality of the state of Nature, the moral nature of natural man, as he conceived him. Unfortunately the seventeenth-century State did not appear to be amenable to such doctoring. It was easier to protest against it than to change its nature. Locke used the idea of contract, partly because it was the common theory—and no one had noticed its danger—and partly, as we shall see, to justify by it one special revolution. Meanwhile the state of Nature is used far more effectively as the symbol of natural rights. The real world is confronted with a picture of an ideal world and the real world is judged by reference to the ideal. The State is taught how to behave by being shown how much better it used to behave, and men are encouraged to protest against it whenever it falls short of the ideal.

The natural rights which men once enjoyed in the ideal state of Nature are the right to property, that is, life, liberty, and estate; these rights should be respected by the 'politic body', which means in practice that the individual must defend them for himself against the State.

Man being born, as has been proved, with a title to perfect freedom and an uncontrolled enjoyment of all the rights and privileges of the Law of Nature equally with any other man, or number of men in the world, hath by nature a power not only to preserve his property—that is, his life, liberty, and estate, against the injuries and attempts of other men.¹

¹ Locke, *op. cit.*, p. 158.

The historical importance of these abstract rights cannot be exaggerated. They have proved to be the 'Magna Charta' of modern liberalism and democracy. It is none the less strange that Locke, the Englishman, the philosopher of experience and common sense, the utilitarian, the political theorist who tried to make the State into a gigantic company of shareholders abiding by majority decision, should have been the man to provide half the world with a battle-cry consisting of *a priori*, abstract, almost sacred, political innate ideas. Could he have foreseen the history of these ideas and the uses to which they would be put—uses far wilder than the metaphysical innate ideas he so completely refuted—he would have wished that he had re-read his political philosophy in the light of his epistemology. He cannot have been prompted by English history, for the story of its fight for liberty was a fight for the concrete liberties of immemorial custom and legal precedent. Yet the abstract rights, the liberty, fraternity, and equality which sound so foreign to English ears, were the product of the ethical enthusiasm of sober Englishmen.

Their danger lay, of course, in their emptiness and abstraction. They were hollow and expandable containers into which any man could pour (and conceal) whatever he pleased, and out of which any man could empty what he pleased. Their power lay in their directing force. Like the toy pistols which children use, they could fire water or vitriol. Anyhow, they could always fire something. They could serve socialism as well as anarchy, liberty as well as tyranny. Though their justification lay in the fact that they were links or junctions in the chain of the scholastic law of nature, they could easily be thought of as separate entities and, instead of keeping men anchored to the moral law, they allowed them to drift in the sea of their fancies and imagination. It would be untrue to suggest that the theory of natural rights was as vague as the scholastic law of nature was clear. The application of the latter to practical problems is extremely difficult, but it at least approached the problem of conduct from the right end. If there is a right way of living, it must be a rational ordering of

life in terms of an end. Natural law was conceived of as the application of God's eternal law to creatures. As such it sprang from the highest values of which we can have any knowledge and rigorously applied the test of such values to the choices of ordinary life. It was objective, reasonable, and constant. Natural rights, on the other hand, tended to be personal, subjective, emotional, and changing.

Locke was a mild and reasonable man and his own version of natural rights was wise enough. As an admirer of Hooker, himself an admirer of Aquinas, his view did not differ greatly from scholasticism, but the new rationalism of the Cartesian age makes him run a knife through the conscientious subtleties which interested Aquinas. There is no account in the discussion of the right of property of the relation between the *jus naturale* and the *jus gentium*; instead we get a rough and ready common-sense argument.

Though the earth and all inferior creatures be common to all men, yet every man has a 'property' in his own 'person'. This nobody has any right to but himself. The 'labour' of his body and the 'work' of his hands, we may say, are properly his. Whatsoever, then, he removes out of the state that Nature hath provided and left it in, he hath mixed his labour with it, and joined to it something that is his own, and thereby makes it his property. . . . For this 'labour' being the unquestionable property of the labourer, no man but he can have a right to what that is once joined to, at least where there is enough, and as good left in common for others.¹

Sensible as it sounds, it is a good example of the dangers of simplicity. The paragraph was later to be one of the 'classical' tests for the labour theory of value which was a cause of a revolution such as Locke could never have dreamed of. He did not realize that the greatest hoarding of property would come not from mixing labour with the fruits of the earth but from monopoly and economic rent. But he was aware of the fact that money interfered with this simple account of why every one has a right to his property. His explanation of this new factor is lame indeed:

Since gold and silver, being little useful to the life of man, in

¹ Locke, *op. cit.*, p. 130.

proportion to food, raiment, and carriage, has its value only from the consent of men . . . it is plain that the consent of men have agreed to a disproportionate and unequal possession of the earth. I mean out of the bounds of society and compact; for in governments the laws regulate it; they having, by consent, found out and agreed in a way how a man may, rightfully and without injury, possess more than he himself can make use of by receiving gold and silver . . . Right and conveniency went together.¹

As in the case of toleration, Locke's ethical rights are quickly limited by utilitarian needs. Not the law of Nature, but 'the consent of man' (majority rule) determines the issue. Right and conveniency are fitted together. Once more we see the same contradiction. The State makes possible an enlargement of 'natural' property to an extent which takes away the original conditions of natural right, and it does so 'rightfully and without injury'. If so, its justification must be something more than the ordering and harmonizing of man's original liberty. 'The end of law is not to abolish and restrain, but to preserve and enlarge freedom.' But if freedom is the characteristic of the state of Nature, how can a law which totally alters the original natural conditions of the right of property be preserving and enlarging that freedom? He is never able to give any moral account of this new factor. The State stands over against the individual, as an arbitrary force. The latter protests in defence of his lost rights. Utility gets the better of morality.

This right of property he considered basic. Life and liberty were abstractions without it. Property is the natural means of man's self-expression. Without it, man is like a fish out of water; the natural condition of his spiritual and temporal activities is taken away. In attaching this importance to it, he set the fashion of the eighteenth and early nineteenth centuries. In all constitutions and declarations of rights this right was made fundamental. But doctrines of natural rights have strange histories. If every man has a right to property and can look to the State for the protection of that right, he must have some property. If he has none, the State must give him some. To do so, it

¹ Locke, *op. cit.*, pp. 140, 141.

must take away the property of others. In other words, the right of property involves the right to have property taken away. It is only a step from this unsatisfactory acquiring and taking away to the communist theory that the community should own all the property and apportion it or its produce equally. By this time very little is left of the original natural right under the protection of the State. Nevertheless, Locke's insistence on the primacy of this right is a sign that he was dimly aware that the time was coming when an economic and social revolution rather than a political one would threaten the *status quo*. The return to the state of Nature which was so dreaded was more likely to take place through the denial of the right of property than by controversies about sovereignty and social contract.

Meanwhile the crucial test of Locke's own thesis was the justification of political revolution. The treatise was published two years after the Revolution of 1688. His association with Shaftesbury, his exile in Holland and his friendship with William of Orange were enough to shape his political theory. He had lived through one revolution and one case of regicide; he had experienced and condemned the excesses of the independent sects; he was no democrat. Yet he had learned of the tyranny and arbitrary rule of Louis XIV through personal intercourse with the exiled Huguenots and he had suffered the deprivation of his beloved Christ Church fellowship for his opinions. He wanted to steer a course between the anarchic unsettlement that would result from too complete an attachment to the cause of natural rights and the tyranny and incompetence of a political authority entirely unrelated to moral law. He had to show how a mild dose of the first could effect a cure in the second. He had to provide the means of a radical change in government before it was too late.

To tell people they may provide for themselves by erecting a new legislative, when by oppression, artifice, or being delivered to a foreign power, their old one is gone, is only to tell them they may expect relief when it is too late, and the evil is past cure. This is, in effect, no more than to bid them first be slaves, and then to

take care of their liberty and, when the chains are on, tell them they may act like free men. This, if barely so, is rather mockery than relief, and men can never be secure from tyranny if there be no means to escape it till they are perfectly under it.¹

Like Burke after him, he looked for a formula which would justify the American and condemn the French Revolution. But Burke was no theorist: the news of the American Revolution took on beauty, decorum, gravity as it slowly crossed the Atlantic, whereas he could almost hear the cries of the French mob as they exulted in the death of their queen. Locke had the harder task of discriminating *a priori* between justifiable and unjustifiable revolution. Here, above all, standards were required. But neither the doctrine of natural rights nor the contract theory could give him any. In the end he has no better safeguard to offer than the natural conservatism of human nature:

People are not so easily got out of their old forms as some are apt to suggest. They are hardly to be prevailed with to amend the acknowledged faults in the frame they have been accustomed to. . . . This slowness and aversion in the people to quit their old constitutions . . . has . . . still brought us back to our old legislative of king, lords and commons.²

This is good common sense, but it is dangerous to offer a man a weapon and trust that his natural timidity will prevent him making full use of it.

Locke thought the state of Nature, as he had conceived of it, would be a sufficient explanation of how government could be dissolved without the dissolution of society. For his account of it seems to make it possible that the 'politic body' should continue to exist when the government is overthrown. To make his view plausible he would need to postulate a second contract by which the already constituted society entrusted to chosen representatives the business of government, as Pufendorf taught. Then the people could break the second contract without falling back into the state of Nature: they would still remain a 'politic body'. But all this is mere juggling with formulae. There is no reason to suppose that the reverse process will be the

¹ Locke, *op. cit.*, p. 228

² Locke, *op. cit.*, p. 230.

same as the forward one. A country might pass from barbarity to civilization and from civilization to constitutional rule, but when it falls back it is likely to skip the intervening step, at any rate for a period, and the revolution becomes French or Russian in nature. Furthermore, what real difference is there between the state of Nature and the 'politic body'? The only difference is the agreement to abide by the decision of the majority, an agreement which itself required absolute unanimity. What it comes to, therefore, is that revolution is justified because the dissolution of all government would lead back to that state of Nature in which men unanimously agreed to accept in future the decision of the majority. And this, in practice, gets us no farther, for in the state of Nature, even though it be composed of men who, as Professor Vaughan has described them, 'have pored themselves pale over the Sermon on the Mount', the absence of any constitutional form means that in the end the power of the strongest must necessarily prevail when it comes to a clash of interests; in the 'politic body' this fact is raised to constitutional and moral dignity by calling it a majority decision. For all his protests about the sanctity of rights and for all his careful limitations of when the people are justified in rebelling, in the case of actual revolution he falls back on the will of the greatest number, whether the object of their wills be the protection of rights or not. Instead of accomplishing what he set out to do, that is to make a change of government possible by establishing some basic frame or constitution embodying fundamental moral principles which a government ought to respect, or by setting up against the government an authority responsible for the safeguarding of those principles, he, in effect, has to admit that to follow the will of the majority constitutes the only safeguard against the return to a state of Nature. Unfortunately, history shows that at any given time it is the minority rather than the majority who are convinced that their rights are being disregarded. Marx himself gave very excellent reasons why the proletariat itself, when it comes to a vote, votes against the revolution which is to give it 'dictatorship'. All great reforms are the result of the work of a small number who see

farther than their fellows. The truth is that right and wrong have very little relation to majorities. We shall see in the next chapter that the problem of moral authority consists in finding a way of making the majority agree to what is right and not in imagining that because the majority agree to a certain action, that action must be right.

In his attempt to justify the Revolution of 1688, Locke, owing to the contradiction in his theory, was forced into a position which would justify any revolution, so long as the majority willed it, and none, so long as they did not. We saw at first that the contract seemed to lead to a Hobbesian tyranny. That must happen when the majority because it is either voiceless or under the moral pressure of an intelligent minority does not express a wish for a change of government. Its rights are taken away by the contract which substitutes majority decision for the natural law. But when the majority is able to express its desire for a change of government or of policy, any change becomes justifiable and the minority now has to submit to an equal tyranny. What we now call 'the people's mandate'—often the result of a small majority, obtained by unscrupulous methods—is sufficient to justify the repudiation of any obligation, the tearing up of any treaty.

Locke, of course, was very far from dreaming of all this, but in fact it has become the recognized constitutional practice of democratic government since his time. The natural alternative to the rule of justice is the rule of force, the civilized alternative is the rule of the majority. He was forced into the position, which was alien to his own strong ethical impulses, through his inability to harmonize the natural rights of the individual with the *de facto* authority of the State. The only union was one of opposition. The individual claimed his rights as *against* the State. The only way in which Locke could think of reforming it was to change it from being an arbitrary authority into being a purely utilitarian authority, and in the last resort the only test of utility, as we shall see in the chapter on English Utilitarianism, is the agreement of the majority about what it likes. Locke fell between the truths contained in two

alternative theories, the one that was taught in the Middle Ages and the one that was to be formulated in the nineteenth century. He agreed with the early Christian view that the State was somehow an anomaly, an artificiality. It would not have existed but for the fall of man. But the medieval belief in the unity of society, regulated according to eternal and natural law for the good life of man in this world and his eternal salvation in the next, was no longer accepted. He could not view the State as one of the necessary and divinely authorized means to this end. He had only a number of indefinite and ambiguous natural rights as a substitute, and these at once gave way to the clear and definite idea of a utilitarian, majority-ruled State with its own needs and necessities. Nevertheless, the protest was destined to endure. The liberal political theorists of the seventeenth and eighteenth centuries by their negative protest against the arbitrary State made it possible for their successors to work out a more complete and consistent ethical liberalism which would make the State itself more ethical and liberal in its practice, if not in its theory. On the other hand, Locke could not foresee the modern idea that the State is natural, that it is a necessary part of man's moral life. Though his epistemology should have warned him of the fallacy, he was still under the impression that we may judge of the character of a thing by examining its origin and then supposing that what is true of its origin must be true of it. It is the evolutionary fallacy, all the more erroneous because the evolution was a pure hypothesis. The function of the State and the test of its acts is determined not by its origin but by the moral and social needs which it serves. This view owes much to the thought of a writer far more misunderstood than Locke, Jean Jacques Rousseau.

But at any rate Locke, though he was unable to harmonize them, was aware of the factors which must be taken account of in a satisfactory theory of political authority. He realized that it should take account of man's moral nature, that it should command the assent of its citizens, and that it should serve man's needs.

CHAPTER II

ROUSSEAU

THE influence of Locke on the Continent was great, but it was not so much his metaphysical formulation of natural rights springing from the state of Nature as his utilitarianism and reasonable common sense which affected French thought. It was the part of Locke's writings which was reminiscent of Bayle¹ which delighted the *philosophes*. Bayle was described by Voltaire as 'the immortal Bayle, the first of the dialecticians, of the sceptical philosophers, the honour of human nature, the author of the first dictionary which taught men how to think'. Like Voltaire and Montesquieu, who were to learn so much both from him and from the history and customs of Englishmen, Bayle put much greater emphasis on civil liberty, on toleration, on freedom of the press, than on political rights, democracy, and the decision of the majority. He did not believe that there existed any ideal form of government: each country must devise the system which best suited its character and needs. Voltaire had no delusions about republican government: 'A republic is not founded on virtue; it is founded on the ambition of every citizen, on the pride which represses pride, on the desire of domination, which will not suffer any one else to dominate.'² Bayle himself found much to approve of in the system of Hobbes. The enlightenment was not fired with ethical enthusiasm; it applied the critical Cartesian spirit to the problems of society, and without plunging very deep into metaphysical principles it found plenty of exercise in the glaring abuses of Continental governments.

Into this rationalist and classical world, where no room had been left for the pervasive sense of the supernatural, for the clouds of metaphysics, or for the grossness of any captivating emotion, there came a man whose genius seemed to lie in everything

¹ Bayle (1647-1706), the author of the famous *Dictionnaire historique et critique*. His critical and sceptical teachings were rapidly disseminated owing to the popularity of this dictionary. His influence on the growth of free thought has not been sufficiently recognized.

² Voltaire, *Pensées sur le gouvernement*, t. xxiii, p. 331.

that his contemporaries loathed. Eight years after the death of Locke, Jean Jacques Rousseau was born. Yet when we turn to Rousseau after leaving Locke, we seem to enter into the modern world after having put aside the chronicles of history. Locke is associated with the seventeenth century, the age of Cromwell, Charles II, and William of Orange, of the revocation of the Edict of Nantes, and of the glory of the Dutch Republic; Rousseau (though his death anticipated the event by ten years) with the French Revolution, with the age of romanticism, with socialism, nationalism, and half the causes of our generation. We find it hard to realize that he lived in the heyday of the eighteenth and not of the nineteenth century. If it be accounted greatness in a man to anticipate the future, to guide and inspire the emotions of his children, to talk the language of his time and yet to mean something which only a later generation will be able to understand, then Rousseau must be ranked among the great. But as so often happens in a world whose events are rarely the result of the insight of its best minds, it was the transitory and obvious in him which helped to shape the immediate history of Europe; the permanent and valuable was only slowly understood. His most obvious work was to help in the break-up of the kind of State whose origins go back to the Renaissance, the *de facto* State exerting arbitrary power, legalizing historical privilege, the State whose only rivals were its neighbours and only critics isolated protesting individuals. To do this he had but to repeat with variations and to quicken with life the negative protests of the academic Locke. 'L'homme est né libre, et cependant partout il est dans les fers'¹ differs little in meaning from 'Men being by nature all free, equal, and independent, no one can be put out of this estate and subjected to the political power of another without his own consent', at any rate in the Europe of the *ancien régime*. But Rousseau's epigrammatic and positive statement became a battle-cry both for the jealous and resentful middle class, which had come to realize that it was in political chains, and for the oppressed

¹ The opening words of the first chapter of *The Social Contract* (Everyman edition, p. 5).

masses, who had been told that they were in economic chains. Locke's ethical proposition had only been heard by the comfortably situated and politically powerful Whigs, who found it very proper and useful until his balanced statement crossed the Atlantic to become part of the constitution of the aristocratic democracy of the United States; while Rousseau's words aroused the French enthusiasm which made the liberation of the colonists possible. It was where Rousseau differed from Locke that his permanent value lay. He was the first to realize that a satisfactory foundation of the relations between men and society must be constructive. It was not enough to attack with ideas and stones the stronghold of political authority in order to procure a truce between the might of the State and the right of the individual; an inner change in the very being of the State was needed. It must be built anew in harmony with a commonly accepted moral purpose and commonly recognized social need. It must not be considered to be an interference with man's liberty or a regrettable necessity, but an aid to him, a welcome organization within which he can be helped to lead a peaceful, prosperous, and good life. It is, of course, well known that there is hardly a passage in his works which is not contradicted on some other page, and it is therefore possible to present many Rousseaus. But the Rousseau who helped to bring about the French Revolution is only one out of many thinkers, whereas the Rousseau who inspired Hegel and Marx stands alone. The Hegelian or idealistic theory of the State was destined to play an important part in the development of modern society. Apart from the Christian theory, it was the only alternative to Utilitarianism, so that we shall be justified in trying to follow out that side of Rousseau's thought, even if it be one side only.

It is easy to underrate and even to make fun of Rousseau. Judged by the standards which we should apply to our own acquaintances, there was little that was admirable and much that was despicable in his character. His farcical conversion to Catholicism for financial reasons, the combination of a morbid sentimentalism with a callousness which allowed him to put away five of his children in the box of the foundlings'

hospital in spite of the unmarried mother's tears, his selfish, self-centred bad manners, his touchiness in his relations with others, his morbid love of self-revelation, his cowardly inconsistency in preaching liberty and in smugly advising individuals to suffer persecution like Christians: 'Every one has his own calling upon earth: mine is to tell the public harsh but useful truths. I have preached humanity, gentleness, tolerance as far as it depended upon me: 'tis no fault of mine if the world has not listened. I have made it a rule to keep to general truths: I produce no libels, no satires; I attack no man, but men; not an action, but a vice'—none of these traits should we care to detect in ourselves or in our friends. Yet through them and in spite of them the reader of his life cannot fail to be moved by the contrast he makes with the other great figures of eighteenth-century France. He was not a hero, but he was at least a man in a time of artificiality and unreality. He hated Paris, London, Voltaire, and Society. He felt himself a stranger and an outcast in the intellectual world which knew only of superficial relations, of the beauty of outward form, of the play with artificial intellectual categories. The victim of a persecution mania, he imagined realities where there were none, and despised his contemporaries who failed to appreciate the realities that existed, religion, justice, suffering, evil, and death, jesting about them instead. Had he lived to see the triumph of their superficiality, their defiance of reality even on the scaffold, he would have hated them still more. The men with whom he came in contact felt so little that they were able to construct a consistent and shallow philosophy of life; he felt so much that he was always losing his way in a world too deep for his understanding. He was often in the wrong, but the nineteenth century owes much to him. Most of all it owes to him, perhaps more than to any other one man, its determination not to be mechanized, not to be made the child of the utilitarians and the experiment of the scientists.

At the age of thirty-seven, after a youth of obscurity, hardship, sentimental romance, of wide but desultory reading, he accidentally came across an offer of a prize by the Academy of

Dijon for an essay to be entitled: 'Has the restoration of the sciences contributed to purify or to corrupt manners?' This question acted as a magnet to attract together and order the dispersed and vague ideas and emotions which had been running through the dreamer's mind. The form of the question came as a bolt from the blue, and he realized that it epitomized the feelings to which he had been unable to give expression. The answer was clearly 'it has contributed to corrupt manners'. The excited, enthusiastic, forceful, and, in his own confession, illogical expression of his answer gained him the prize. The merits of the work lie not so much in its thesis, which is as old as Ecclesiastes, but in its passionate condemnation of the philosophic and literary 'lights' of the century and of the artificiality of their outlook. It was a protest against the Enlightenment, not in terms of the apparently refuted Christian tradition, but in terms of an outlook as secular as their own. It is curious that the answer came from a Jesuit pen, which won the prize of the French Academy for the essay: 'The love of letters inspires the love of virtue.' It prepared the way in Rousseau's mind for the next work, an essay on the question: 'What is the origin of inequality among men and is it authorized by the natural law?' Though this essay was a much better piece of work, it failed to gain any prize. It developed the argument of the first and on the whole made its appeal by its picturesque method of indicting the social system under which men were living. Though he was disowned by the Encyclopaedists, Rousseau was adding the forces of instinct, impulse, and romantic feeling to the rational scepticism of an over-intellectual argument against the abuses of the past and the present. Half the essay was devoted to a detailed account of the kind of person man would be if he could be thought of apart from the civil society of which God had willed him to be a member. In this account he proved to be more of a realist than Locke. His account of the state of Nature is by comparison convincing. It reminds the modern reader of the popular cinematograph theme which delights to show how the rugged virtues and natural happiness of the South Sea savages are gradually converted by toil and serfdom under

the white man into restless discontent and civilized vice. In essence the two tales tell the same story. In both the savage judged by the standards of reasoned morality can hardly be called good or bad; he is hardy, resourceful, happy, alone, healthy, living in the present moment, dependent on instinct rather than intellect, compassionate, and sympathetic. The first invention—perhaps the discovery of the use of fire, if such a discovery ever took place—or the use of primitive tools lifted the natural man into the happiest of states. He learned enough to help himself, but not enough to hurt himself by greed, jealousy, acquisitiveness, and intelligence. He might have remained so for ever, but for accidental circumstances. In the film, the white villain enters and shatters the dream. But for Rousseau the savage has to evolve into civilization through his own activity. Property was the chief factor. ‘The first man who, having enclosed a piece of ground, could say: “This is mine”, and found people simple enough to believe him, was the real founder of civil society.’ That was the beginning of ‘crimes, wars, murders, miseries, and horrors’.¹ For Rousseau, therefore, as well as for Locke, property was fundamental. But Locke, having asserted the natural right to property, made no serious attempt to study what that right involved in the real world of facts and relations. Rousseau sees at once that the right presents a problem rather than a solution. Left to work out its own destiny, as it had in fact been left ever since the Renaissance, the right to property, he held, did more harm than good. Man would have been better off without the right. In his own judgement on himself, Rousseau asserts that he never desired a return to the state of Nature: ‘But human nature never turns back, never can one climb back to the times of innocence and of equality, once they are over’; that was one of the principles on which he was most insistent. The account of the state of Nature is a lesson, a parable. In it there are no rights, duties, theories, no possibility of relating past and future in order to produce and secure wealth. If, as Voltaire suggested, Rousseau’s description succeeds in making people desirous of

¹ *Discours sur l’inégalité*, pt. ii, beginning.

walking again on four paws, then they had better flee from 'society, but if not, then they must accept the good and bad which is the condition of civilization. They must face its own problems. It is no use harping on natural laws and rights in a golden age; the choice is not one of rights with or rights without the organized State and civilized society: it is at best a choice between satisfied animality and a more or less dissatisfied humanity. Rousseau is asking the same question as Mill: is it better to be a pig satisfied, or a man dissatisfied? Doubtless at times he envied the pig. But naturally he really has no doubts that the problem of society is constructive: how to build up out of the material available, with all its weakness, a framework of an ethical character that will be acceptable to civilized rational man. The two discourses were written in a negative spirit, and their influence was largely due to this, but they prepare the way for the *Contrat social* in which the conditions of order in a society which has long since forgotten its origins are discussed. 'The problem is to find a form of association which will defend and protect, with the whole common force, the persons and goods of each associate, and in which each, while uniting himself with all, may still obey himself alone, and remain as free as before.'¹

If by the words 'obeying oneself', 'doing what one likes', and by 'free as before', we mean being completely irresponsible, the problem is absurd, since it involves a pure contradiction. But the work is clearly intended to be an ethical treatise. The subtitle, 'Principles of Political Right', the famous chapter on 'The Right of the Strongest', and the turn of the whole argument make that clear. Therefore, freedom and self-obedience or autonomy are understood in the sense which Kant was later to make popular. Freedom means freedom to be fully oneself, autonomy means that self-government which is the condition of moral responsibility. So that the paradoxical form of the question really amounts to: in what kind of order or association is it possible for man to realize his good and to attain his end, what political association is a suitable framework in which man's

¹ *The Social Contract*, p. 14.

potential moral qualities can be made actual? Man out of civil society, in so far as we can imagine him cut away from most of what has made him the man we know, is a stupid, limited, and happy animal. His conduct is guided by instinct instead of by reason, by impulse instead of by considerations of right and wrong. Man in civil society is rational; he knows both good and evil. He knows that he ought to will the good. That good is largely, if not entirely, social; it comes to life through the common life of the citizens of a State who together will the good of all and agree to do what is recognized to lead to the good of all. Any citizen has the power to separate his own private interests from the interests of the others, or he may associate for a special purpose with a limited number of other citizens and work with them for the attainment of that special interest. In so far as he acts in this selfish way he is refusing to work for the common good; but this common good is the condition of the good life of every citizen; therefore he is acting against his own best good. For a man living among other men deliberately to will what is contrary to the common good is moral and rational suicide: for Rousseau it is the same as acting 'against nature' in the scholastic terminology. The sanction is no longer God's displeasure or the mere feeling of having a guilty conscience; for the sake of society it has to be nothing less than the force of the community which has to save itself by punishing the political (and, for Rousseau, moral) sinner. If it is true that the common good is ultimately the same as the individual's good, such a conclusion must follow.

So far the argument, though illogically expressed in the text, is fairly clear, and it certainly expresses some part of the truth about the relation between man and society. But Rousseau is not writing a moral treatise; he is trying to establish an ethical theory of the State. Now the most obvious function of the State is legislation. From it man expects at any given time definite rules of conduct which most citizens are normally ready to obey and which eccentric or bad citizens know they must obey if they are to avoid punishment. A State is a bad State if its laws are oppressive or unjustly administered, but, whether

good or bad, to be a State at all it must be able to command that minimum of respect from its citizens which will induce them to submit at the moment to definite rules which are the condition of any ordered common life. The opposite of this is either anarchy or the tyranny of brute force. Since Rousseau only envisages one all-inclusive organized common life, it is all the more important for him that it should be clear and definite. Without law there can be no morality since man only rises to the height of his moral potentialities through ordered common life. But positive law is useless unless it is definite, and it cannot be that unless it issues from definitely constituted authority. It must therefore have two characteristics: it must be for the common good, and it must issue from some recognized authority. Can the State issue definite and authoritative rules of conduct for the general good? If they are to be clear and definite they must come from definite authority; if they are for the common good they must be the expression of some kind of common or 'general will' of the citizens acting not as individuals, but as an organic unity. The term 'general will' seems to give the solution, for a *will* expresses something definite and a *general* will has the double meaning 'will of all' and 'will for the general good'. But the solution is purely verbal. We must take one of the two senses: if it is the will of all there is no guarantee that it is for the general good: if it is the will for the general good it probably will be a will imposed, and therefore it will not fulfil the original condition of freedom and autonomy. Finally, a great deal of qualification is needed before we can understand anything real by a common will. The problem in those terms is insoluble. If it were not, we should at once have the perfect society. To have a clear understanding of what is right, to wish for that right because it leads to my good and perfection and to discover that all my neighbours agree, these are doubtless the characteristics of Heaven, but not of earth. The old conflict between right and good, law and spirit, would be resolved. We are unfortunately only too well aware that we can only stumble towards the good, aiding ourselves by definite rules which, like crutches, prevent us from tumbling down rather

than guide us on our way. The rules may be clear and distinct but the goal is a luminous point separated from us by a band of darkness.

Rousseau is not very certain how to make the 'general will' practical. One way is to limit considerably the value of his theory by confining it to small States. 'He worked for his country [Geneva] and for little States built up in a like fashion', he wrote towards the end of his life. He thought that in such States the general will could really become an effective 'sovereignty of the people', because there was no need of representation. The people themselves could be direct legislators. In this case the 'general will' is clearly interpreted as the 'will of all': the fewer there are, the easier to find the common denominator! It is true that when it comes to a question of numbers it is more likely that a small number will be able to rise above decision by the mere counting of heads and diminish the intrigue inevitable in the cases of large numbers, but this interpretation really takes away the whole ethical note of the general will. We are once again back to the arbitrariness of majority decision, and in fact this was the interpretation which modern democracies tended to give to Rousseau, even when they were large and had to rely on the representative method which he condemned. The second interpretation is more interesting. He gets out of the difficulty by having recourse to 'the Legislator'. This seems like having recourse to a wise demi-god who is to perform that very task which we saw to be beyond human ingenuity. He has to be wise, good, and authoritative. The people who, one must suppose, have been educated by common life to the state of having good wills must be only too ready to agree with the legislator who can turn their vague and conflicting ideals into perfect rules of life. In so far as 'the legislator' succeeds, the right will be reconciled with the good. It is curious how near his thought approaches at this point to the traditional Christian view that law must be divine in origin and that a social life entirely divorced from religion and theology cannot prove satisfactory. 'In order to discover the rules of society best suited to nations, a superior intelligence beholding

all the passions of men without experiencing any of them would be needed.¹ Unfortunately he can find no way of transcending feeble human efforts: it is 'an enterprise too difficult for human powers, and, for its execution, an authority that is no authority'.² It is no authority because, 'according to the fundamental compact, only the general will can bind the individuals, and there can be no assurance that a particular will is in conformity with a general will until it has been put to the free vote of the people'.³ He can never quite escape from the bogey of majority decision. Yet surely the trend of his thought in this part of the discussion should have led him to a solution. The will of the legislator would determine what is right, but, as Kant was to emphasize, for the objective right to become subjective good it must be freely accepted by the moral agent. He must will it. Legislation which comes as a mere imposition must be practically a failure and, even if it is right, it will lead to immoral action unless those for whose good it exists accept it freely. That is the moral value of democracy and of the free vote of the people. It does not of itself ensure a moral State, but it or its equivalent is the condition of a just political organization. If the Social Contract does for the people all that Rousseau claims for it, the latter ought to be wise enough to recognize that right legislation is the only legislation which can in the long run be for their good, and therefore they ought to be unanimous in their approval.

But all this is idealism. Why, then, does Rousseau introduce the strange chapter on 'The Legislator'? It seems to be a recognition of the false simplicity of the Social Contract taken in its obvious meaning. The mere fact that arbitrariness is removed and that the actions of the sovereign are somehow the will of the people is no guarantee of either wisdom or justice. So much we saw in the discussion on Locke. The legislator epitomizes the long and complex process by which, through history, through religion, through individual lawgivers, through the interpretation of precedents, through the association of one culture with other cultures, the law of the land is built up. The legislator

¹ *The Social Contract*, p. 35.

² *Op. cit.*, p. 37.

³ *Op. cit.*, p. 37

is introduced in order to solve the difficulties suggested in the following paragraph:

How are they [the people] to regulate them [the laws]? Is it to be by common agreement, by a sudden inspiration? Has the body politic an organ to declare its will? Who can give it the foresight to formulate and announce its acts in advance? How can a blind multitude, which often does not know its own will, because it rarely knows what is good for it, carry out for itself so great and difficult an enterprise as a system of legislation? . . . The general will is always in the right, but the judgment which guides it is not always enlightened. . . . The individuals see the good they reject: the public wills the good it does not see. All stand equally in need of guidance.¹

Both in the second Discourse and in the 'Social Contract' Rousseau is puzzled by the way in which States have grown. They cannot have risen in a day. They cannot be the result of a contractual act, since they are the means by which men are endowed with the moral and civic qualities which enable them to make a contract. The State has developed in the course of history. The legislator stands for that historical process, considered not as a series of blind causes, as a determinism, still less as the result of interested and evil actions, but as an organic growth, akin to that of an animal, in which the bad is rejected and the good is digested. To put it theologically, God's will is not manifested as a pillar of fire but through what is good in human nature. The idealized version of history is not real history, but real history points to the ideal. Reform does not mean the destruction of the historical State, it means reforming the bad and retaining the good, according to the lessons of the 'Social Contract'. That general will which in history has been more or less dormant, unable to express itself adequately, often repressed, and, therefore, perverted, must be allowed to find expression once again.

Rousseau's writings show very distinctly the influence of Montesquieu. In 1748 the latter had published *L'Esprit des Lois*, a work as remarkable and as influential as the *Contrat social*. Two points in particular attracted attention. One was

¹ Op cit., p. 34.

the author's analysis of the English constitution with the doctrine of separation of the legislature, the executive, and the judiciary. England was a country which had evolved more satisfactorily than its neighbours, but without any *a priori* theory or standard. It was an example of the second point, which may be summed up by saying that laws should outwardly express the inner spirit of a people. 'Laws', he defines, 'are in the widest sense of the words the necessary relations arising from the nature of things.'¹ Laws had been considered to be either ordinances of reason or the commands of a will, but for Montesquieu they were nothing but the order, the outward expression of things. The problem of society is then to discover the laws and the constitution which spring spontaneously from the character of the people and of the environment in which they dwell. Instead of trying to impose from without an *a priori* ordinance of an abstract reason or the interested command of a sovereign, one must study the character of peoples, the nature of their country, the story of the historical changes they have undergone. In other words, the problem of legislation is not abstract, it is concrete. It is hopeless to reform by mere creation of abstractly good institutions: one must begin at the other end by taking account of the spirit of the people and by improving that. This is a far more subtle problem and it involves far more factors than mere politics. The problem of social and political reform involves religious, moral, economic, and historical problems.

Rousseau learned from Montesquieu that, though abstract theories of the State may be matter for debating clubs, the practical task of legislative reform is a long, intricate, and ever-imperfect application of principles to a matter that can only be understood after protracted study. Three-quarters of the 'Social Contract' is *a posteriori* social science of this kind rather than abstract political theory. The glib theorist who began by laying down in categorical terms the necessary and sufficient principles of the one State founded on right, the man who could prescribe the recipe for the civil and political freedom of

¹ Montesquieu, *L'Esprit des Loix*, opening words of the first chapter.

any person, writing, 'The terms of the contract, though they may never have been formulated in so many words, are everywhere the same and everywhere tacitly admitted and recognised',¹ now writes:

Liberty, not being a fruit of all climates, is not within the reach of all people. . . . Despotism is suitable to hot countries, barbarism to cold countries and good polity to temperate regions. . . . Russia will never be civilized because it was civilized too soon. There have been known states so constituted that the necessity of making conquests entered into their very constitution, and that, in order to maintain themselves, they were forced to expand ceaselessly.²

In his later writings he expresses sentiments that seem to clash with the very first principles of the *Contrat social*. In the *Government of Poland* he writes:

Loving their country the Poles will serve it with zeal and with all their heart. Through this sentiment alone, legislation, however evil, will make good citizens.³

And again:

To free the people of Poland is a grand and fine work: but audacious, dangerous and not to be inconsiderately attempted. . . . Let us avoid, if possible, undertaking at once chimerical projects. . . . I understand the difficulty of the plan to free your people. I do not only fear motives misunderstood, the pride and the prejudices of the masters. Granting that this difficulty can be overcome, I should still fear the vices and cowardice of the serfs. Liberty is a good food, but it needs a strong digestion; very healthy stomachs alone can stand it.⁴

In the *Project for Corsica* this busy constitution-maker advises acceptance of the onerous and unjust 'Corvée'.

I desire in a word that the property of the State should be as great, as strong as possible, that of the citizens as small and feeble as possible. . . . I do not say that the Corsicans should share in the Church revenues, God forbid.⁵

We can see how Rousseau passed from the combination

¹ *The Social Contract*, p. 14.

² Op. cit., Bk III, ch. 8, and Bk. I, ch. 9.

³ *Gouvernement de Pologne* (Vaughan's edition), ch. III, p. 432.

⁴ *Ibid.*, ch. vi, p. 445.

⁵ *Projet pour la Corse* (Vaughan's edition), p. 337.

of simple enthusiasm for freedom and justice with a facile rationalism characteristic of his period to a realization that the social problem demanded a study both of the religious, moral, and social character and beliefs of peoples and of the different philosophies and sciences themselves.

Before estimating the importance of this historical and philosophical approach to the problem and of the importance of Rousseau's work, we must briefly describe the work of the most important representative of this school, Hegel.¹

The foundation of Hegel's moral philosophy is freedom. To understand this we must turn to metaphysical speculation. Hegel was convinced of the Christian doctrine that the universe is rational. Everything in it must fit together in terms of a common purpose. Therefore the world as the human being perceives it, the world of brute contingent facts, can only be a partial aspect, an abstraction. Its reality lies in its hidden rationality. But this rationality is by no means entirely hidden. It can be thought out, and the meaning of the universe is unfolded as individual minds find their way more or less successfully among the clues in it which reveal the work of the inner Spirit of which it is a manifestation. Everything which is, or can be, the object of thought must fit into the whole or Absolute. The whole is not an addition of detached pieces, it is more like an organism in which each part lives a life in harmony with every other part, all being subordinated to the purpose of the whole. It is wrong to think of mind and matter, subject and object, as wholly distinct. Matter is ordering or relating, mind expressing itself outwardly: mind is the inner constitution of matter, the meaning in it.² The key to the rationality of the universe is obtained by noticing the way in which our minds when thinking of the material which is presented to them succeed in fitting the apparently disparate and contra-

¹ For an account of the relation of Rousseau to Kant and Hegel, read chapter ix of Bosanquet's *The Philosophical Theory of the State*.

² It is impossible to give an adequate account of Hegel's metaphysics in a few sentences. This rough description is only intended to give the reader who is unacquainted with his thought a general idea so that he may understand the presuppositions of his political philosophy.

dictory parts together. Thinking is no mere reflection, no blotting-paper impression of sense experience: if it were, all thought and judgement would be tautology. It is a synthetic activity; it builds up unities of differences. The mind does not rest on the object of its thought. It is ever seeking something that hangs together. But any given object of thought is inadequate and partial, it demands some other object to make it satisfactory. To take the simplest example: to think of 'being' is meaningless until its opposite is reached, 'non-being'. But this opposite taken by itself is equally inadequate without 'being'. The synthesis of the two 'becoming' is, therefore, more adequate than either of the two abstractions. Or again, 'the individual' demands its contrary 'non-individual' or the mass: together they make sense as the organization of individuals for a common purpose, viz. 'society'. And each synthesis will once again demand its opposite in order to form a higher synthesis, so that ultimately the universe will be understood as the highest synthesis comprehending and including every partial aspect. Thus every judgement that is made is an attempt to fit the given into its proper place in the intelligible system of the real.

We can now apply this to the abstract idea of freedom. Taken by itself, it means the power to do what one pleases. But again taken by itself, this reduces to the activity of a lunatic who does this or that without apparent rhyme or reason. And this, from the point of view of the subject, is really the same as its apparent opposite, necessity, that is, being the victim of the strongest force acting at the moment on the person. True freedom is a synthesis of this licence and necessity. It is self-determinism, self-command, the realization that one's action is one's own and the awareness that it is done within an objective system which determines or limits the expression of that self-determination. Freedom is, then, the will aware that it is accepting a course of action which fits it best into the intelligible and good system of the universe. At once we realize how limited was the natural rights theory as expressed by Locke. Rights are not abstract, unrelated claims to power by the isolated individual, but assertions of one aspect of a complex system which is directed

towards the good of all by attaining the absolute good. Rights only have a meaning within that order, and therefore to assert their reality involves the assertion at the same time of a constructive system in which they find their place. In a sense we shall only know the exact content of any right when we understand the whole universe. At present, at any rate, we can come to the negative conclusion that to assert rights as against the State is to take an inadequate view of them since the State and the individual must fit together and not fight together.

This same dialectic is used in the *Philosophie des Rechts*, the theory of 'objective Mind' as part of the rational world in which abstract thought works on abstract matter to produce concrete reality, i.e. the intelligible and meaningful whole.

At the first abstraction man is seen to have a will, a power of asserting himself as something solitary and final. He claims property as the necessary instrument of will. He lives by the rigid rules of abstract law, by the 'letter of the law', contract, bargain, the justice of mere equality. At once this is seen to be unsatisfactory. Man is more than a counter in a game, a cog in a machine. His will transcends the immediate fact and is more than a mere force. It is spiritual, it can achieve the good by willing the good. Goodness of intention and not the fact that it fits in a system gives it its spiritual character. In the words of Kant: 'Nothing is ultimately good, except the good will.' This is the spiritual aspect of human relations. But taken by itself it is equally one-sided. The synthesis is the objective system vivified by the spiritual nature of the moral beings who develop and progress in it. Such is 'the ethical order'; but the words cover more than formal morality. By it is meant the whole of social life from its crude and spontaneous beginnings to its most complete expression. In impulse, custom, tradition, development, history, the unity of spirit and matter is revealed. They are the expression of man's spirit working on matter, the two being a revelation of objective Mind.

This ethical order is analysed into three aspects: the Family, Society, and the State.

The Family is original and definite; its members are bound

together by a union more intimate than law or feeling. But every one has to grow out of the family and mix with others in the world. The unity of Society is wider, but weaker. In the first place, economic needs bind its members together. Next, moral nature demands a system of law and justice which must remain imperfect and external. Lastly, the common interests demand new and definite unities for the furtherance of those interests, while the clash between competing interests requires protection: both demands are united in what Hegel calls 'Police and Corporation'.

The synthesis of Family and Society is the final social unity, the State. If we understand the nature of the dialectic we shall not fall into the trap of supposing that the State swallows the differences of which it is the unity. It is a unity persisting in and through the differences: the differences remain as real and as complete as before, but they demand in order that they themselves may be understood and be fully themselves the form or unity which transcends them. The family, man, corporations, trusts, trade-unions, clubs, are independent realities with appropriate autonomy, but they are also parts of the State. And this is true. If the existence and function of the State is admitted at all, it must be admitted that at least all external activity is within the State's legitimate reach. This does not mean that the State can do what it wishes to any man or any association of men, but it means that, if it is to fulfil its function it may have to reach out to them all. There is nothing more sacred than the relation between the members of a family, yet the mother may be punished for cruelty to her child and she may be forced to give it sufficient education. Nothing is more autonomous from the State's point of view than religion, yet the State may be obliged to prohibit certain false or immoral forms of worship.

Hegel did not avoid unnecessary obscurities and absurd exaggerations, but it is possible to see the profoundness of the doctrine as a whole. It is 'ethical' through and through. It is an attempt to follow out the implications of positive or moral freedom stretching from abstract human freedom to the absolute freedom, the equivalent of Plato's Good or the Christian

Divine Will, through nature and society, or the 'created things' of Christianity. But we shall see that even within the limits of its own purpose it fails where it differs from the Christianity to which in some ways it seems so closely related.

The most important characteristic of this Rousseau-Hegel theory of society is that it makes a serious attempt to transcend the negative approach of the seventeenth and eighteenth centuries. It is no longer a question of man, the completely endowed individualist, face to face with an arbitrary authority which is unaccountable to the moralist. The result of this view is either the exaltation of the tyranny of the State or its reduction, in words at least, to a kind of public company created by a legal arrangement; it is dictatorship (possibly of what is called the people) or soulless utilitarianism. This view is still prominent in the work of Rousseau. The history of France is the proof. To a large extent the sovereignty of the State, its irresponsibility, its centralization, were preserved through the Revolution, strengthened by Napoleon, and in the end continued unchanged but with the title altered, the sovereignty of the People, and 'La Patrie' replacing the sovereignty of King or Emperor. The increase in political corruption was compensated for by the increase in civil liberty. Rousseau's general will or sovereignty of the people was, however, an attempt to lay hold of something more profound. He believed that there was some relation between the universality of the right and the universality of a common will. The individual, especially in public matters, is selfish; even when he desires to be unselfish he remains fixed in a partial and inadequate point of view. But if all the individuals living together within a determined territory come together, if they all desire the common good, the result will be a decision that will be more likely to prove to be, in fact, for the common good, and, in so far, will be right. It is this decision which has to be extracted from the good State, according to Rousseau. The same people who are normally busied about their private affairs become citizens, and together they constitute the State when they are working unselfishly for the common good.

A great deal of acrimonious discussion about the reality of a

general or common will has taken place ever since Rousseau made it the centre-piece of political association. There is obviously no general will in the same way as there exist particular wills, but, equally, actions which result from the deliberations or even from the feelings of a number of men acting together are different from the action which would result from the votes of those same men if they had never met together. Perhaps Dicey has put the matter in the clearest way: 'Whenever men act in concert for a common purpose, they tend to create a body which from no fiction of law, but from the very nature of things, differs from the individuals of whom it is constituted.'¹ There is nothing mystical about this, no haunting of the 'communal ghost'.² It is the result of cause and effect. The mere fact of men coming together in a crowd means that each man will be affected by the presence of his neighbour and still more by the feelings of his neighbours: he in turn affects others and so the mysterious crowd psychology is created. Rousseau failed because, especially at the beginning of his 'Social Contract', he did not recognize that the creation of a 'general will' was the work of a hundred forces, of religion, custom, history, and not of a legal contract. He was also ill advised to use so definite a term as *will* for so vague a reality. The national will is, doubtless, in the words of Duguit, 'the merest fiction', but it comes at times very close to reality, and therefore some beginnings of a common spirit must exist, which, when excited, tends to approach to a national will. It was Hegel who developed the implications of Rousseau's *simpliste* 'general will' by his full account of the forces which went to make the State. The real question which Hegel and Rousseau have to answer is as to the rightness of the general will, or of the objective Mind. Rousseau was forced to invoke a legislator who seemed in the end to dwindle into common sense and the lessons of history. Hegel was never tempted by democratic institutions. He saw through 'the will of the people', and

¹ *Law and Opinion in England*, p. 154.

² See 'Communal Ghosts in Political Theory', the title of chapter III of Book III of *Reason and Nature*, by Morris R. Cohen.

realized the inadequacy of public opinion. For the machinery of government, he approved rather of functional than territorial representation. By his approval of representation he freed himself of the exaggerated individualism of Rousseau, and by his insistence on the partial autonomy of corporations and associations for special interests he admitted the great complexity of social organization and the importance of the factor of knowledge and information in the creation of law. It is completely false to suppose, as Rousseau did, that there is only one unselfish will, the general will. On the contrary, there is hardly any purely selfish will. Even the pursuit of riches, though it may start by selfish motive, leads a man into co-operation, and soon the 'business', its permanence and its success, becomes as strong as the motive of pure selfish gain. Socialism may attract a person from the lowest motives of envy and the desire to possess what others have got, but no one who has read the history of the movement will doubt that idealistic motives, and even the love of a fight, will throw sordid gain into the background. Almost every action which man performs makes him transcend the limits of his own abstract individuality. But still the question remains: does this transcendence of the particular mean an approach to the universality which is characteristic of right and just action? And here Rousseau seems to have been wiser than Hegel. The reason why he condemned organized interests within the State was because he saw that their partial universality had no relation to what he thought was the true universality, the universality of the State. In a sense there is nothing more immoral than a trust or a trade-union. They exist solely for a definite purpose, and it is generally in order to oppose another definite interest. The mere fact that a man who belongs to them is working for a common interest and not for himself removes the taint of selfishness; he *feels* morally justified in helping them to act in what may be an unjust fashion. It is difficult to make a corporation responsible for its injustice, whereas an individual may be put in prison. The interests of the individual resemble the interests of the State more closely than the interests of intermediate groups

resemble either. In Rousseau's day, when the actual government, by comparison with modern government, resembled a very powerful vested interest, his dislike of vested interests was all the more natural. If to-day the immediate social and political needs of the living community have burst through the old framework to assume strange yet vital shapes, it is because during the course of the nineteenth century the State grew at once powerful and liberal enough to assure civil equality and liberty and to maintain peace by enforcing general law and imposing public order. In doing this, especially in France, it learned from Rousseau rather than from Hegel. But the price has been heavy. Hegel insisted that though the State was the final unity it was a unity of differences. These differences, the thousand forces and interests of society, were neglected: most of all the new economic interests and factors were neglected, and it was this attempt of the State outwardly to control social life, and not to harmonize with it, which has been one of the causes of the revolutionary tendencies of the post-war world.

Rousseau, though he often tried to avoid the conclusion, equated rightness with freedom interpreted as consent: the general will becomes a will for the general or universal good because it is common to all the members of a State. He realized how difficult it was to find out what people really wanted, but there is no doubt that he would have agreed to the proposition: whatever all people really want must be right. The plausibility of his view is due to the two meanings of the proposition. It may mean: given that a people are correctly informed as to what is ultimately best for them, they must consent to doing whatever is required in order to achieve that best. Or it may mean: whenever a people are in agreement about what they ought to do, they must be acting rightly. Rousseau, the ethicist and philosopher, means the first, but then his democratic sovereignty of the people falls far into the background; Rousseau, the demagogue and reformer, means the second, but then he has to admit that the only moral value of his theory rests in its protest against the excesses of arbitrary authority. The same difficulty applies to Hegel, but he tries to find a middle way by fitting

consent into an idealist philosophy. Consent is no longer the phenomenon of outward agreement, that is merely a perilous means of expressing itself; nor is it the acceptance of a law imposed from without. It is the action of the spiritual force, the intelligible idea which is expressing itself, or trying to express itself, within society as it develops in the course of history. Consent and right, i.e. the conditions of true freedom, are found in society's true self. This enables him to allow full weight to the richness and variety of motives and forces that combine to produce the facts of history and social organization. It enables him to fit fairly satisfactorily the special function of the State with the multitude of functions of the different cells that go to make up social life. One of the most balanced statements of the functions of political authority in society was made by a disciple of Hegel, T. H. Green:

Those acts only should be matter of legal injunction or prohibition of which the performance or omission, irrespectively of the motive from which it proceeds, is so necessary to the existence of society in which the moral end stated can be realized, that it is better for them to be done or omitted from that unworthy motive which consists in fear or hope of legal consequences than not to be done at all.¹

This expresses the truth in the Hegelian view that everything may be accountable to the State, and yet that it is far better that everything should be performed spontaneously and freely from within society than by legal command. But for Hegel and Green, as for Rousseau, the problem of 'The Legislator' remains. How can they guarantee that freedom ultimately means freedom to do the right, that consent, however idealized, is consent to act in the best interests of society which ultimately means in the best interests of the good life of each and every citizen? Only a magnificent act of faith in spontaneous immanent inspiration and a fantastic disregard for the lessons of history can overcome the difficulty. But there is no basis for such a faith in common experience. It is ultimately a question of truth. Is truth reached, whether in morals, in religion, or in science, by consent or coherence? Is it not rather a question of

¹ *Principles of Political Obligation*, p. 38.

evidence and of the ability to interpret evidence? In other words, it comes from without: to most men it comes from without, from the teaching of the theologian, the teaching of the natural scientist. It is perfectly true that consent plays an important part especially in moral and political action. An action only becomes moral, a piece of utilitarian legislation only works, when the agent or subject agrees to it; if he performs it through moral or physical force it ceases to be either moral or useful. But it does not follow that consent makes a bad action good because without it an action right in itself becomes bad. Rousseau and Hegel are unable to discover a standard, a truth that transcends pragmatism. The life of society is a question of trial and error, and the standard of success is the greatest amount of agreement to accept the results of the experiment. Freedom after its long and obscure journey into the Absolute will be found to have come round in a full circle, and at the end, as at the beginning, it remains undetermined will ever pushing forward into empty space.

For all Hegel's insight, his attempt to justify the universe from within was bound at once to broaden some of its aspects and to narrow others. Since he was rationalizing he had to make the universe as he saw it rational; the real, the contingent, the partial were rational; since he was in contact with the real world alone, his highest ideals had to be brought down to earth: the rational was real. Thus he at once idealized much that was evil, temporary, changing, and materialized what was supremely holy and good. In his account of society, the difficulties and disharmonies, the factors due to historical accident, were all forgotten in the idealized scheme of freedom attaining its natural end, the Good; while the Good itself, the ideal, the standard in the end turns out to be the temporal and accidental territorial State. Why should the Universe be rationally justifiable in all its aspects? Why should the State, accidental and external to man, even though because of its special function necessary and universal within its territorial limits, be the end and not the means to the good life of individuals? Only because Hegel can reach no higher constituted and ordered

unity, since his God is not a Person, a Creator, or a Governor, but an Idea without reality outside the minds of contingent thinkers.

It is little wonder that this suggestive but standardless system fathered theories that seemed to be contradictory. The standards that were wanting in Hegel's philosophy were inserted. For some they were the concrete ideals of patriotism and nationalism leading to the view that man's sole end lies in his identification with that concrete organized society of which he is a member, his own State, and that therefore his good is linked with the only good of which a State as such is capable, namely strength, dominion over rivals and expansion. Others identified man with his economic needs and to make this identification plausible deliberately reversed the evolution of history. Marx, the materialist disciple of Hegel, found himself engaged in achieving justice by undertaking a task fit only for one convinced of the supreme freedom of man, the task of smashing all that really did seem to be determined in the history of the past, religion, traditional morality, and the accepted bases of the social, political, and economic order.

CHAPTER III

BENTHAM AND MILL

IN the discussion on Locke, we saw that he attempted to harmonize two quite different principles of social organization: the first was the ethical principle that certain abstract natural rights must be respected at all costs; the second—in his day not yet clearly formulated—was the germ of both utilitarianism and scientific rationalism as applicable to social and political reform. Locke and Newton were for many the Peter and Paul of the Enlightenment. In effect Locke never advanced very far along that line; it was rather the spirit of his inquiry than the results obtained which gained him so great a name. His rationalism becomes in the last analysis little more than majority decision, and majority decision has little to do with

reason. In Rousseau, on the other hand, there was little of the spirit of the Enlightenment. His theory is in part a protest against contemporary society, whether obscurantist or enlightened, and in part a genuine attempt to work out the implications of natural rights in a modern social organization. But he too, though he suggested more adequate solutions, fell back time and again on the 'will of all', or, in the practice of modern democracy, the real or supposed decision of the majority. Both Locke and Rousseau, therefore, were unable to rise above one condition of the moral state, the condition of consent. In view of the history of society since the creation of the arbitrary *de facto* political authority after the Middle Ages, it is no wonder that the first liberal protest should be negative, a protest not to discover the principles of right legislation but to object to any legislation which is arbitrarily imposed.

But the constructive problem of right legislation had to be faced. Some substitute for the traditional, antiquated, and often manifestly unjust legislation of the *ancien régime* had to be found. It was to be Utilitarianism.

Utilitarianism is presumably as old as the race. The primary function of reason is to adapt means to ends, to do things in order to fulfil an end, to do them because they are worth doing, i.e. useful. Evidently every rational action is utilitarian. It is clear, therefore, that the Utilitarianism of the eighteenth century differs from other forms of utilitarianism by something other than utility. It is a difference of ends, not of means. And this brings us back to an ethical and metaphysical question. Modern Utilitarianism goes back to Descartes. His radical distinction between mind and matter changed the whole outlook both of science and philosophy. It is far harder to come to any clear and distinct conclusion about mind than about matter, and so long as the province of mind, that is of theology, philosophy, ethics, and rational psychology, overflowed into the province of matter, that is of natural science, the latter was weighed down with the special difficulties of the former. Descartes' methodological distinction was the beginning of modern progress in science. So clear and simple did the study of measurable

matter seem that the question whether its methods did not after all apply to mind also was very soon asked. Why bother about abstruse and obscure ideas of God, soul, final causes, grace, rights, juridical contracts, when the simple idea of experiment and measure was to hand? At any rate, in the case of psychology, since all admitted that man was an animal, great progress could be made in the study of his nature by experimental and animal psychology. Hobbes, a contemporary of Descartes, had already attempted to explain man's behaviour on empirical grounds. Everything is explained as a form of motion, the one reality in the universe. Sensation is the 'apparition of a motion in the brain'. The sequence of sensations is explained by their association through contiguity or common interest. Most important of all, action is explained in terms of the sensations of pleasure and pain. Pleasure draws an action out, while pain inhibits it. It was not so much the nature of the explanation as its simplicity which attracted attention. One can imagine a disciple of Hobbes wandering through a library filled with theological, philosophical, and legal tomes and asking himself how man can have been so muddle-headed and so conceited as to have produced that immense mass of fable and nonsense. The facts were so simple compared with man's intellectual creations. This was the spirit of Hume's philosophy. In social theory he pricked the bubbles of social contract and of Divine right in a few sentences. Authority and social order depend for their existence on the interest everybody has in maintaining them, since without them there would be chaos: their origin is due to the forces of history, conquest, voluntary subjection, usurpation. Who is aware of this contract vital to their own life? How can contracts made by our ancestors remain binding on us? A contract depends upon our recognition of the duty of keeping our promises. But the problem of why promises should be kept is equally real. It supposes moral stability and the very social order which is founded by a contract. The truth is that both contract (in so far as any exists) and the keeping of promises depend upon the same basis: public interest. Without them society would not survive. Hobbes

and Hume between them make clear the great advantage of simple explanation of mental and social phenomena in terms of easily understandable conceptions, association of ideas, experience, pain, pleasure, happiness, interest, sympathy for others. In itself, none of this utilitarian explanation is atheistic or agnostic. God may rule the world simply as well as in a more complicated and obscure fashion. In fact to many the simpler mechanical explanation seemed to be the more reverent and natural. The Nonconformist community, theologically trained into believing in simplicity and directness of the Divine action and politically biassed against the complicated social establishment which tried to deprive it of its rights and liberty, especially welcomed the new rationalism. Religious optimism, as we shall see, is an important ingredient in the utilitarian philosophy; without it it collapses into pessimistic scientific determinism. Gay, Hartley, Hutcheson, Priestley, Paley, Price were all theological-rationalists. With the exception of Hartley they had all been ordained. As for Hume, a sceptic, he, for all his contribution to Utilitarianism, was a suspect source since he distrusted the use of the reason. But these British sources, optimistic, theological, and ethical, confident that man was essentially good and that, left to himself, he would be able at once to achieve his own perfection and, in doing so, the perfection of society, believing in the natural harmony of apparently selfish interests since the world was Divinely ordered, were not the only factor in the complete utilitarian philosophy.

Just as Voltaire and Montesquieu had learned the secrets of constitutional government by crossing the channel and living in England, so now in their turn advanced Englishmen were sitting at the feet of rationalist continental teachers. With a more rigorous logical training, the continental rationalists confined their attention to the materialistic side of the new science. Diderot, Condillac, Helvétius, Holbach were far from the theological faith of British Nonconformity; apart from Condillac they openly hated Christianity, though their faith in reason was hardly justified without its philosophy. Diderot made the suggestion that the order of the world might be accounted for

by the one lucky combination of atoms in an infinite number of throws, while he guessed at part of the Darwinian hypothesis of natural selection in explaining evolution. Condillac pushed empirical psychology to its farthest limit and asserted that when the soul smelt the scent of a rose it was for the time nothing but the sensation 'smelling a rose'. Helvétius applied this empirical rationalism to ethics and politics, and propounded in clear terms the central canon of Utilitarianism. Speaking of laws, he writes:

It is indispensable to be able to refer them all to a simple principle, such as that of the utility of the public, that is to say, of the greatest number of men submitted to the same form of government: a principle of which no one understands the extent and possibility; a principle which contains the whole of morality and legislation, which many people repeat without understanding it and of which even legislators have but a superficial idea, if one judges, at least, by the unhappiness of almost all the peoples of the earth.¹

Helvétius, perhaps of all men, was the most typical doctrinaire. A few simple axioms, a few obvious theorems, and the problems of society are all solved as easily and as accurately as the problems of Euclid. 'The vices and virtues of a people are always a necessary effect of their legislation.'² Unlike their English contemporaries these Frenchmen had no faith in the natural harmony of selfish interests. For them the problem of government was one of enlightenment. It is a question of the application of the truth and wisdom only discerned by the few for the advantage of the many. Their ideal is not democracy, nor even political liberty, but the enlightened despotism of Frederick, Catherine, and Joseph II. This was certainly the more consistent interpretation of the new learning. Only a deep faith in the metaphysics and ethics of Christianity would lead one to suppose that the world is so ordered and the individual is so precious and important that his natural sagacity and the fulfilment by each person of his needs will of them-

¹ *De L'Esprit*, Discourse 2, xvii. This work of Helvétius (1715-71) did much to spread on the Continent the view that morals are a purely empirical science and that happiness is entirely dependent on scientific and enlightened institutions.

² *Op. cit.*, Discourse 3, xxii.

selves bring about universal peace and harmony—that, in other words, consent by itself is sufficient to ensure rightness of action. In a rational and mechanical universe nothing is more certain than that the laws which govern its motion are objective, imposed from without, and unrelated to mere human emotions and aspirations. That they should lead to universal happiness was believed more because of the optimism of an age which realized the hollowness and uselessness of the tyrannies and burdens which had been held to be natural to human lot than because of any grounds within the mechanical hypothesis itself. *Ecraser l'infâme* had been Voltaire's cry; it did not occur to him that the alternative might prove to be another '*infâme*', that nature might be *infâme*.

Though it owed much to the influence of the Continent, Utilitarianism, as a complete philosophy of life, was destined to flourish in England only. It was through the first optimistic element, the natural harmony of interests, that Utilitarianism was to be linked with radicalism and democracy. Though Bentham for many years sympathized with the continental rationalism rather than with English optimism, and though for many years his fame was greater on the Continent than in England, he came in the end to lend the weight of his name and authority to democratic reform. More important still, the democratic theory which suited and aided the growth of the new wealth during the industrial changes of the nineteenth century seemed to provide a scientific proof of the truth of the optimistic theory that 'private vices were public virtues'. Both of these facts enabled English Utilitarianism to work hand in hand with the movement towards civil and political liberty. On the Continent, on the other hand, this movement met with firmer opposition from the vested interests of the past, while its rationalistic and scientific bias was very different in spirit from the socialist movement which proved to be a stronger opposition to those interests than any imitation of English liberalism.

English Utilitarianism is often called Benthamism. That fact alone proves how much it owes to the obscure life and rare talent of Jeremy Bentham.

With the details of his life there is little need for us to concern ourselves. He was born in 1748 and died at the age of eighty-three in 1832, on the eve of the passing of the Reform Bill. He was a man of the highest integrity and passionately devoted to the work which he felt called to undertake at whatever sacrifice. While still a boy he believed that he had a genius for legislation: he wanted to become the 'Newton of the moral world'. Between the age of twenty and thirty he realized that his love for his country's good and his determination to offer his genius for her benefit were stronger than the love of women and—a better test—stronger than the love of wealth. He did try to marry, but he gave up the practical certainty of a lucrative career at the Bar in order to devote himself to legal research and to the codification of English law. This selfless devotion to an abstract ideal was stronger, perhaps, than his love for those whom his work was to help, his fellow human beings. He liked order and tidiness, but neither his writings nor the incidents of his life give evidence that he shared that passionate hatred of injustice and oppression, that charity so much more intense than the mere love of abstract justice which was characteristic of some of the prophets of social reform, of Rousseau, Proudhon, Lovett, Ruskin, Bakunin, and Sorel. Perhaps the most likeable trait in his character was his love of animals which made him favour a legal reform to make cruelty to animals a punishable crime long before public opinion supported the measure. In contrast to this love of animals inspired by his personal relations with domestic pets there went a curious callousness and hardness in regard to men in general with whom he had little personal relation. His reforms were but the rational application of an abstract formula, and, like Paley, he considered a miscarriage of justice resulting in the execution of an innocent man to be but an *inconvenience*, the evil of which must be compared in quantity with the evil of allowing the guilty to escape punishment. He even seems to have approved of burning incendiaries alive.¹ There is something symbolical of his mentality in his cherished scheme to build a *Panopticon*, a prison in which

¹ See Pollock, *History of the Science of Politics*, p. 103.

by means of mirrors all the prisoners would remain always under the eye of the jailer. Bentham himself would no doubt have liked to be the jailer of a world-panopticon so that in his quiet study he could see everybody's outside and, on the evidence, arrange the members of the human race in a tidy and neat design.

The disciple of Hume and of Helvétius, he had little patience with the political 'innate ideas' of Locke and Rousseau. The whole edifice of unconnected natural rights, of a vague and undetermined natural law, of a contract whose terms were unknown and whose sanction indefinite, was thrown over at once. It was nothing but a sophistical rationalization of undisciplined feelings. There was no reason why 'clear and distinct ideas' should not reign in matters of conduct. Liberty is not an abstract right; it 'is neither more nor less than the absence of coercion. The idea of it is an idea purely negative. That which under the name of liberty is so much magnified as the invaluable work of Law, is not *Liberty* but *Security*.'¹ It was not because men had rights that governments came into existence, it was because they had none. Rights are not natural; they are the privileges which the subject enjoys owing to the coercion of an authority which guarantees public security. The historical and ethical origin of the State is of no importance. All that matters is the recognition of the State's existence and the examination of the purpose which it serves: 'When a number of persons (whom we may style subjects) are supposed to be in the habit of paying obedience to a person, or an assemblage of persons, such persons together (subjects and governors) are said to be in a state of political society.'² Given a political society, given authority, given subjects, how can we make the best of the situation? That is the problem which Bentham envisages. In the early years of his life Bentham was a Tory; he had no enthusiasm for the cause of freedom, no vision of a new heaven on earth such as fill the hearts of contemporaries

¹ Quoted from the Univ. Coll. MSS. by Halévy, *La Formation du Radicalisme Philosophique*, 1. p. 360.

² *Fragment on Government*.

like Paine and Godwin. It is true that he was made a citizen of France in 1792, but so were Washington and Wilberforce. The changes in France appealed to him as offering an opportunity for his rational legal reform; other considerations were of little moment. In his letter of thanks for the honour of citizenship he wrote: 'I should deem it a fair consequence of my being a royalist in London that I should become a republican in Paris. Thus doing, I should alike respect the rights and follow the example of my sovereign who, while an Anglican in England, is a Presbyterian in Scotland and a Lutheran in Hanover.'

Thus Bentham looked upon the stage as set and the material as ready to be worked upon. The tortuosities of metaphysics, considerations of tradition, climate, character, ethical and legal practice were to be unravelled by the application of a simple rule. It is not very clear where he discovered the principle of the greatest happiness of the greatest number. He tells us that Priestley's *Essay on Government* suggested the phrase to him. 'At the sight of it, I cried out like Archimedes as it were in an inward ecstasy, *Εὕρηκα!*' It was to be found in the works of Hutcheson and Beccaria, both of whom he had studied. In fact, it was the epigrammatic turn of the phrase rather than its meaning which could lay any claim to novelty. That as many people as possible should be made as happy as possible is the subjective end of the Christian religion. It is obviously the implied major premise of all reform in the Christian West. All depends upon the meaning of the word happiness. Bentham interpreted it in a special way. 'Happiness' meant pleasure, 'greatest' was understood quantitatively and 'number' represented arithmetical units instead of living human beings. Viewing, therefore, the citizens of the State as a number of units, law should allot as many doses of pleasure as possible to that number of units which would allow of the maximum quantity of pleasure being experienced in the State. Pleasure is not an absolute, it is relative to pain: the more pleasure the less pain, the more pain the less pleasure. Thus it is possible that the punishment of a criminal whose life causes much pain to others will be justified by the amount of pleasure which that punishment

has made possible for those others who are now freed from the pain for which he was responsible. Or again, the quantity of pleasure attained by the criminal may be so great that only the threat of a greater quantity of pain to come to him as soon as he is caught will suffice to deter him from pursuing his career of pleasure to himself and of pain to his neighbours. That is why Bentham could logically discuss the advisability of having incendiaries burned alive. Contrariwise the application of the formula at once made manifest the absurdity of the contemporary penal code which prescribed capital punishment for the smallest thefts. There is obviously no relation between such pain inflicted on the thief and either the pain which his stealing inflicts on others or the pleasure which his theft gives to himself.

Here then seemed to exist a clear and distinct principle of right and wrong. What Locke and Rousseau had lacked and what even Hegel could not discover was a principle of legislation and a standard to which legislation should conform, so simple and easy to apply that a child could understand it. Furthermore, it was easy to fit into it that condition of true morality, consent. The principle depended upon the truth of the new empirical psychology. Each person is invariably moved by the appetite for pleasure and the repulsion to pain. If this is not true, the greatest pleasure of the greatest number would not have a basis in the facts of human nature. Happiness would not result from its application. But if it is true, then legislation whose aim is the greatest pleasure of the greatest number must meet with the approval and consent of beings who necessarily want as much pleasure as possible. But here two difficulties occur. Why should A in pursuing his own pleasure take any interest in B, except in so far as B can contribute to A's pleasure? If pleasure is thought of quantitatively, it would seem that A might obtain a larger dose at the expense of B; if so, his nature would force him to strive for that dose. Secondly, is it wiser for each person to concentrate on attaining his own pleasure in the hope that the result will be the greatest pleasure of the greatest number, or should each one hand over his interests to one wiser than himself whose function is to promote the greatest pleasure

of the greatest number; is the harmony and happiness of society natural or artificial?

The first difficulty, the difficulty of explaining altruism, still more objective duty, on an egoistic psychology, has never been satisfactorily answered. The second raises a question that is very important in modern social theory. The English version of Utilitarianism, which was closely allied with religious optimism and with the new economic theory of Adam Smith, believed in the *natural* harmony of selfish interests. The economists themselves were religious optimists. Government restrictions and, not least, restrictions directly due to religious intolerance had weighed heavily on the Nonconformist middle-class tradesmen, to whose hands the growth of wealth was largely entrusted. These men naturally felt that artificial and arbitrary laws were all of a piece. The hand of authority might be fatherly, but the ideas of the children who mattered and of the father who did not were very different. Gradually they came to believe that prosperity in this world depended as directly on liberty of action as happiness in the next on liberty of thought and worship. It is small wonder then that the economic theory of Adam Smith should very soon rouse the enthusiasm of the commercial community. The wealth of nations must rise in proportion as nations and individuals could enrich themselves and others by the free exchange of goods, produced on the system of division of labour.

In the first part of his life Bentham was content to take the simpler view of his continental teachers. All men are moved by the desire of pleasure, in fact by the lure of money, but it does not follow that the means which they take in order to obtain that pleasure are best suited for their purpose. Rational and benevolent despotism wise enough and strong enough to reform institutions and—in particular—to simplify and cheapen the administration of justice could alone ensure the greatest happiness of the greatest number. This must involve coercion, the disregard of 'hard cases' and of private ethical claims. But after all the greatest happiness of the greatest number is not the same as the reasonable happiness of all. To obtain the

enjoyment by the community of the absolute quantity of greatest happiness at any given time, the happiness of the few may have to be sacrificed. If a passenger on a ship catches the plague and the only means of preventing the spread of infection is his death, the application of Bentham's formula would justify his execution. The minority may have to be sacrificed to the majority. And yet if we examine the presuppositions of Benthamism, we shall see that Bentham of all people could offer no excuse for the sacrifice. Pleasure is the most wholly subjective of experiences. The pleasures of two people cannot be added together, since the subjects of that pleasure, the two people, cannot be added together. The amount of pleasure can only vary with the capacity of the subject to experience more or less of it. Therefore if the whole community with the exception of one were feeling pleasure, the pain of the one exception, if he happened to be capable of feeling more pleasure and of suffering more pain than his fellows, would outweigh in quantity the pleasure of the whole of the rest of the community. And it is probably true that the minorities who do not easily accept the popular cause are the most tender conscienced and delicately constituted members of the community. On Bentham's view therefore their demands should be the first to be attended to.

As far as England was concerned, the question was at the time purely academic, since the course of events abroad had strengthened the power of the Tories and put off any reform for a generation. Bentham had no choice but to look to the Continent and to the new States which were asserting their independence for fields in which his Utilitarian reforms of law and justice could be given their trial. In the thirties of his life, he had spent two years in Russia. His tedious and disordered writings, some in English and some in French, were being edited by Etienne Dumont and being published in France, the three volumes of the *Traité de Législation* appearing in Paris in 1802. It was natural that his reputation abroad should be greater than in England. In Spain, in South America, in Italy, and in Greece a new world believing itself free and emancipated was to acclaim the simple scientific ideas of the

reformer of whom Hazlitt wrote: 'Mr. Bentham is one of those persons who verify the old adage that a prophet has no honour except out of his own country. His name is little known in England, best of all in the plains of Chili and the mines of Mexico.'¹

Bentham was almost an old man before he definitely renounced benevolent despotic Utilitarianism; and he did so then because of his gradually formed conviction that all vested authority was unenlightened and unselfish. In England those in power were only too well aware that his reforms would soon deprive them of influence and wealth. Wedderburn, then Solicitor-General, had called the *Fragment on Government* dangerous. Bentham was extremely surprised: how could utility be dangerous? Only fifty years later did he understand Wedderburn's meaning. It was dangerous to a Solicitor-General of the time and dangerous to the twenty-five thousand pounds a year which Wedderburn was soon to earn as Lord Chancellor. Bentham at last realized that what is useful to the governed is not always useful to the governors. He learnt what his own utilitarian hedonism should have taught him earlier. If all men are selfish and need the light of reason in order to achieve their happiness, who is left unselfish enough to enlighten them—except for a consideration? Those in power are thoroughly justified on utilitarian grounds in maintaining their power in order to obtain as much out of life as possible, so long as their security seems to be assured. The judges, the aristocrats, the clergy, the landed proprietors, the king himself were the real Utilitarians. The experience of a long life taught Bentham the following simple argument. Self-interest is the principle by which all men order their lives. Those who govern therefore will order their lives by self-interest. If then all men govern, government will certainly be in the interest of all. Utilitarianism thus points to democracy. Such was the explanation of the *Catechism of Parliamentary Reform* with its introduction showing the 'Necessity of Radical and the Inadequacy of Moderate Reform'. Unfortunately by the time he had embraced the theory of the natural harmony of selfish

¹ Halévy, op. cit., II. 366.

interests, the economists who had been the first to support it were beginning to have their doubts. Bentham had as a young man gone even farther in one respect than Adam Smith; he had criticized him for approving of a five per cent. limitation on the rate of interest. Smith seems to have approved of Bentham's criticism. Malthus and Ricardo were now proving that a great deal of qualification was needed before one could accept the theory that private interest necessarily leads to public wealth. Malthus pointed out that unregulated private selfishness necessarily led to a much more rapid increase in the number of sharers in the national wealth than in the wealth itself. Ricardo demonstrated that the various factors that were needed for the increase of wealth were to a certain extent in mutual opposition. The landowners, for instance, profited at the expense of the manufacturers and the workers, because the return on their investment was dependent on the rise in the economic rent for which the manufacturers and workers must pay. Bentham was advocating political liberalism at the very time when the economists and philanthropists were beginning to see the need for State control and regulation if the production of wealth were not to inflict great suffering on the greatest number.

But Bentham was no ethician and no political theorist. He was a jurist. The jurist like the sociologist is apt to study society from the outside. He only sees the pattern and, finding it to be uneven and ugly, he tries to alter it from the outside. The attempt is bound to fail, for the pattern is the result of the intricate weaving of many strands and, to alter it, it is necessary to look underneath and unpick the strands. Luckily for him, society is so loosely woven that he can often make superficial improvements without destroying the whole fabric. Bentham was undoubtedly responsible for a great many important reforms and his followers gradually effected the English revolution. The reform in judicial procedure and in the contents of the penal law, Poor-Law reform, local government reform, the beginnings of popular education, economic reforms, parliamentary reform, liberalism in colonial administration—these are

typical of the beneficent reforms directly or indirectly due to the work of Bentham. So wide a principle as the greatest happiness of the greatest number could hardly have failed to contain much truth. But Bentham himself never faced the real problems of social organization. He was never clear either about the real purpose of his reforms or about the best means of effecting them. Taken in the hedonistic arithmetical sense which he favoured as a young man, his formula was hopelessly inadequate. While effecting superficial improvements, he entirely neglected the problems which spring from religion, ethics, and even economics. The result was inevitable. British Utilitarianism never touched the basic problems of modern society. The astounding economic prosperity of industrial Britain was to carry utilitarian liberalism on its shoulders, but below the surface the ethical demands of man, sometimes formulated by romantic philosophers, sometimes by Christian bodies, and most of all, perhaps, by the early socialists grew ever more pressing. At the same time the scientific and despotic utilitarian tradition of the Continent changed gradually to a belief in a new social science and to positivism. In the name of science it also played its part in shaking the empty optimism and superficial psychology of Benthamism. This first attempt to find a formula by which to discern truth from error, right from wrong, in social matters was a failure. Not for it would the moral and religious demands of man with their emphasis on his spiritual nature and his moral freedom allow themselves to fall into the background.

The real merit of Benthamism was negative. The greatest happiness of the greatest number tells us little about the sources of happiness or about its proper distribution. It does serve to remind us that laws, tradition, and customs which manifestly cause avoidable suffering to many people are in so far presumably wrong, that in itself mere antiquity is no reason for respect. It is inevitable that social order must be a compromise. The standard of expediency cannot be altogether rejected. Bentham was right in insisting that expediency should be measured by the rough and ready test of the happiness of as many as possible

rather than by the interest of the few who have power and in whose favour social order tends to stabilize itself.

Bentham's chief disciple, James Mill, did little to soften the edges of his master's teaching. He was more interested in psychology and political theory, but he remained as doctrinaire and as unsympathetic to the good and bad in human nature as Bentham. His psychology confirmed him in the tradition of English empiricism and hedonism; his political theory taught him how to combine the artificial harmonizing of interests with the natural harmony which is implied in democracy. For him the philosopher's stone was representative government. The human race is a mass of hostile, selfish individuals. All the theories so far propounded in order to show how this anarchic mob can be organized for the interest of all have proved to be failures. If the individuals submit to one ruler or to a few, this one or this oligarchy necessarily exploits the passions of the rest for its own private advantage. Any system of checks and balances merely intensifies the rivalry, and the division of the country into various interests is an invitation to some to enter into an alliance together in order to plunder the rest. Lastly the government of all by all is an impossibility. Yet the springs of harmony must lie somewhere hidden in this apparent disharmony. They are revealed by 'the grand discovery of modern times', representative government. By this means the people while necessarily acting for their own interests will realize their purpose by delegating their power and expressing their wishes to chosen representatives. If the representation is genuine and all the people have their wishes effectively expressed by the governing body, all will, in effect, be ruled by all for the good of all.

We find it hard to-day to sympathize with this naive faith in the efficiency of a formula. But the legacy of Calvinistic faith without works and the Cartesian recourse to 'clear and distinct ideas' were taken over without question by the Utilitarians. However they started, whether with a belief in empiricism or dogmatic rationalism, whether they looked to democracy or benevolent despotism, they were ready to cut through the

difficulties by the application of a simple, clear, and distinct formula. Even John Stuart Mill, in so many ways the anti-thesis of his father, seems to have inherited this belief. In no other way, at least, is it possible to account for his enthusiastic adoption of Mr. Hare's system of Proportional Representation as the solution to the difficulties which he so clearly describes in the early chapters of his essay on 'Representative Government'.

James Mill's belief that representation is the clue to the natural harmony of interests which is suppressed under the anarchic rule of all by all or under selfish despotism is closely related to the juristic theory of sovereignty which was taught by John Austin, one of the most influential of the early Utilitarians. Austin was the first Professor of Jurisprudence in the newly founded utilitarian university of London. Like Bentham, he saw the problem of society with the lawyer's eye. Here was a phenomenon part of which was outlined with clear and distinct demarcations and part of which was enveloped in nebulosity. He confined his attention to what was clear. What is a political society? 'If a determinate human superior, not in the habit of obedience to a like superior, receive habitual obedience from the bulk of a given society, that determinate superior is sovereign in that society, and the society (including the superior) is a society political and independent.'¹ How has this society originated? In the process of history, as the resultant of the diverse forces which bring any event about. Mysterious original contracts between parties unable to make contracts, mystical organic unities striving for an ideal hidden good can be safely laid on one side and forgotten. What is law? Law is the command of a superior or sovereign, enforced by a sanction. The so-called law of nature may or may not be an ideal; it is no reality. Thus Austin, like Hobbes, disregards everything but positive law which can be enforced by the sovereign. This certainly made for clarity, and it embodies a truth which is often forgotten to-day. The State can only perform its special function if it is in a position to enforce at the time its positive

¹ *Jurisprudence*, i. 226.

law. For the sake of order, it must be able to impose a temporary solution to quarrels and disharmonies. The ethically satisfactory solution can only be reached after the practical solution. But the Utilitarians were inclined to deny real force to anything but the positive law which they saw to be enforced by the courts. This might seem to be the defence of pure tyranny. But it must be remembered that they were confident that once abuse was removed and notions like right, ideals, law of nature were forgotten, positive law would almost automatically shape itself to its natural end, the greatest happiness of the greatest number. The passage from benevolent despotism to democratic representative government seemed to be a natural movement in this direction. The Austinian theory of sovereignty was capable of accounting for it. It mattered not who was sovereign so long as there was one. When the people or rather the people under their representatives obtained the final 'say' in determining positive law, the sovereign would become the King-in-Parliament or the House of Commons. Thus by a verbal trick, for it was nothing else, the old dualism in Utilitarianism, the dualism between paternalism and democracy, the artificial and natural harmony of interests seemed to be overcome. The democratic State retained all the positive and determinate quality of useful legislation and at the same time the natural interests of the individuals, that is their happiness, ensured the utility of the legislation.

Austin did not see that when the sovereign changes from being the authority of one man to being the authority of all men or of their representatives, the nature of sovereignty changes as well. It was at least plausible to suppose that one enlightened despot might legislate and enforce legislation which would aim solely at the happiness of the greatest number as understood by himself, but how could the representatives of all the differing interests of people who were looking for their own private happiness retain the positiveness or the force or the utility of the original conception of sovereignty? To pretend that the only thing that mattered now was the determinateness of positive legislation was to be blind to the facts for the sake of a theory.

Austin began by concentrating on the obvious, the phenomenal. The phenomenal, however, is always changing. To concentrate on one set of phenomena only is to concentrate on an abstraction from the changing real. In a representative government the forces that result in the legislation enforced by the courts are extremely difficult to analyse. The ideal and the real, the good and the bad, the wise and the stupid all play their parts. Positive legislation is nothing but a resultant of thousands of forces. Its only merit lies in its existence. Some positive accepted legislation there must be, but all progress and all improvements lie in concentrating not on the positive law but on the nebulous forces which make the positive law and which ought to be ever modifying it in terms of an ideal whose nature depends upon an understanding of human nature and of society.

This most of the Utilitarians failed entirely to see. The result of their attack on political mysticism was to make them attend to two abstractions, which taken by themselves were as unreal as the worst of political innate ideas. The first was the desire for pleasure in human nature; the second was the beneficent effect of simplicity and determinateness in positive legislation. The first played its part in blinding them to the dangers of economic *laissez-faire* which increased national wealth and prosperity at the expense of the rights of millions and even at the expense of the moral good of those who were benefiting from the new riches. The second played its part in encouraging a superficial centralization of authority at a time when individuals and groups were becoming politically self-conscious. They were slow to legislate in industry despite the abuses of a haphazard organization, because they felt that the forces at work in the creation of wealth could not be fitted into their narrow scheme of positive authority. They were too hasty in legislating in political, social, and domestic matters, because they were determined to have efficiency for its own sake, that is bureaucracy, in every matter which they felt that they understood. We can realize how strong was the influence of the utilitarian movement even on the Continent when we observe the pater-

nalism of governments in the narrow field of administration, and their total lack of sympathy with the great social problems which modern economic organization has set. But these economic problems have only come into prominence through special circumstances. They are typical of the religious, moral, and social problems which are involved in the attainment of the good life in society, but which remain unnoticed by the utilitarian State, for the latter looks only to appearances of order.

Few works written in the nineteenth century reveal a clearer understanding by the writer of the superficiality and tyranny of Utilitarianism than John Stuart Mill's essay *On Liberty*. It is true that he wrote of the dangers of democracy, but it is the democracy of the middle of the century which was a product of Utilitarianism rather than the ethical democracy of Rousseau and of the French Revolution. The essay was written in 1859. The revolutionary fervour of the thirties and forties was over. Modern organized socialism was only just born. A great number of utilitarian reforms had been accomplished. Parliament had been reformed and it was to be reformed again and again. Important reforms in legal procedure had been completed, the reform of the Privy Council, the Evidence Acts, and the County Court Act; religious emancipation, workmen's freedom to combine, the abolition of the Corn Laws and of the Navigation Act had been obtained; a new spirit of conscientiousness and social responsibility characterized contemporary statesmen like Peel and Gladstone, year by year Parliament was passing an ever more congested programme of legislation, the country was beginning to reap the heavy harvest of industrialization and free-trade—these were surely signs that Benthamism and representative democracy were solving the problem of reconciling authority with happiness and the good life of the British citizen.

Yet at the height of this middle-class prosperity and State efficiency, it was the son of James Mill who drew attention, as clearly as any Tory humanitarian or Christian socialist, to the real fallacy behind Utilitarianism. The State had become democratic and paternal all at once. In fact the more democratic it became, the more autocratic was its rule. For there is

nothing to check the will of a democracy. Furthermore the people who rule are not the same as the people who are ruled, though the general belief that they are make them safe from criticism. Thus the modern democratic State has neither the advantage of benevolent despotism nor the advantages of popular liberty. In other words, its legislation is not likely to be right, nor is it justified by its moral effect on the citizen. It neither imposes the objective right, nor is it a condition of subjective good in the lives of the people. On the contrary, while the latter have no certainty of being wisely governed, their own initiative, character, personality are slowly sapped. Mill as a Utilitarian had no belief in abstract rights, nor had he the Christian's respect for the sacredness of the human person. But he happened to be a good psychologist and a keen ethicist. On the grounds of experience, he saw that liberty and initiative were the conditions of fruitful human enterprise. If it is true that pleasure alone is the end of human action, then it must be admitted that there are different qualities of pleasure. The kind of pleasure which one man seeks differs entirely from the kind which his neighbour is looking for. The difference depends upon the kind of character each man has, and this depends upon education, heredity, environment, talents and the like. Thus he was practically asserting that the good or happiness of the individual depends upon his religion, his morals, his tastes, his work and most of all on the freedom he has to make up his own mind about these things. Society therefore has no business to impose on everybody an *a priori* abstract standard of efficiency directed to give every one satisfaction; its only function is to ensure the minimum condition which is required that each man may live his own life and solve his own problems. Only one principle warrants interference with personal liberty: 'That principle is, that the sole end for which mankind are warranted, individually or collectively, in interfering with the liberty of action of any of their number, is self-protection.'¹

A great deal depends on the meaning of 'self-protection'. So long as the old standard of utility, the greatest happiness of the

¹ *On Liberty* (Everyman edition), p. 72.

greatest number, was taken to mean the greatest pleasure of the greatest number, it might have been thought possible to calculate scientifically when the need for self-protection would justify interference in order to give each person (or as great a number as possible) as much pleasure as the conditions of life allowed. But Mill did not believe that pleasure was something simple to be added up or shared out. When he said that pleasure can vary qualitatively, he meant in effect that it depends on qualitative differences in men's nature and tastes. The artist obtains pleasure from the fulfilment of his artistic taste, the saint from his heroically virtuous life, the athlete from the exercise of his body, the sensualist from the excitement of his senses. Pleasure is a by-product resulting from the attainment in each person of the object which his particular character demands. Now if pleasure is the standard by which the Utilitarian judges the organization of society and if pleasure results from different natures attaining different objects of desire, then the self-protection which warrants interference with individual liberty must be relative to the different and complex ends of human life in so far as they are related to the State. Negatively, self-protection would mean protection from anything which would interfere with the State's essential function, which is to help the individual to lead the good life; positively, it means protection for the individual in order that he may have a chance of living the good life. The degree and kind of protection which the State can claim for itself, and which the citizen can claim from the State must depend upon the nature of the good life and the conditions of society amidst which it has to be lived: it is not a question of politics, but one of religion, philosophy, economics, history, and geography. It is not a question of how much or how little protection, but a question of the kind of protection against and from the State. 'The only freedom which deserves the name', wrote Mill, 'is that of pursuing our own good in our own way'; but only in so far as we are able to state that our good demands freedom as a condition of its goodness. Freedom is a means to the good, it is not of itself our good. In his determination to criticize the tyrannical action of contemporary

society in 'compelling people to conform to its notions of personal and social excellence', he forgot that man must be educated to the good life. Brought up to think of the authority of positive legislation as being the only compelling authority, he forgot that each person is under many different authorities with different degrees of force, the authority of the family, of teachers, of literature, of current ideas, of employers, of religion, and most of all, of brute facts. The liberty which he so keenly defended on the grounds of experience is not due to the absence of authority, but to the presence of the right authorities. These authorities, and among them is the specific authority of the State with its specific purpose, should make the individual a complete man able to be master of himself in the very acceptance of such external authority as is necessary for the living of the good life as a member of society.

In politics as in metaphysics and economics John Stuart Mill saw both the fallacy and danger of too simple and doctrinaire a creed, yet he could not trust himself to any deeper principles. In politics he held to the two clear and distinct phenomena: the legal authority of the State and the liberty of the individual. He was not for a moment deceived by the plausible mediation between them by means of representative democracy. He saw that there is no guarantee that the rich and many-sided nature of the individual person will be expressed in the actual forces which affect social order through democratic political authority. On the contrary, the opposition between authority and the good life of the citizen is wider in extreme democracy than in other forms of political organization. Yet the alternative, the artificial harmonizing of interests by enlightened authority, sacrifices the richest thing in the community, the potentialities of free individuals. Put in these unsparing terms, Mill could do no more to solve the problem than protest on behalf of the liberties and individuality of the citizen, for 'the worth of the State, in the long run, is the worth of the individuals composing it'.¹ Had he not inherited his father's fear of the indistinct and nebulous, he must have faced the implications of that very

¹ *On Liberty*, p. 170.

individuality and liberty, as Hegel had done and as the Christian religion has always insisted. Liberty is liberty to do the right. Doing the right is accepting willingly the right authority, fitting oneself into the right system. Because the right system has to be found by thought and virtue, because it is not imposed as it is imposed on beings less than human, it does not follow that it is spun out of each man's moral spontaneity. Spontaneity, in fact, is only moral when it is disciplined by an ideal, and an ideal is only a reaching out to an order understood to be ultimately more real than the phenomenal reality of the changing world of facts.

The authority of Utilitarianism has survived Mill's criticism of modern democracy because it did offer an ideal, however naive and superficial, the ideal of the greatest pleasure of the greatest number. It gave some standard, whereas Mill's liberalism was, as he stated it, purely negative. Self-protection implies something worth protecting, and Mill gave no account of how that something was to be built up. But the ideal was so inadequate that he was justified in his fear that utilitarian democracy would in the end sacrifice 'the vital power' of society. By setting too low a standard of life, democratic authority must cause the individual to shrink rather than expand and, as a consequence, it must become more and more paternal, and yet more and more incompetent.

This is what has happened in the democracies of the West. The individual has claimed the right to assert himself against any authority except that minimum of political authority which is generally recognized to be necessary for 'self-protection'. He claims to be emancipated from the restraints of religion, tradition, custom, family, society, but at the same time, he is, perforce, fitted into the mechanical and impersonal framework of the political State, all the more powerful because it gives the semblance of being the general will of its members.

This paternalism of the democratic State is often considered to be chiefly due to the increasing complexity of modern industrial organization. This organization is so widespread and the interests involved so complex that local and personal authority

is unable to deal with it. Yet the central government is so artificial and ill-informed that political theorists are seeking to find alternatives to government based solely on territorial representation. The principle behind these reforms is to devolve the central authority in such a way that it will be exercised where it is most natural and therefore most in touch with its immediate purpose. The simplest reform of this nature is to make local government more autonomous or even to federalize that authority of the unitary State. It is even hoped that the units of authority will gradually cease to be built on artificial territorial divisions and instead be organized according to the various functions of an organic State, industries, societies of consumers, trade unions, co-operative bodies, and so on. There can be no doubt that this 'return to the Middle Ages' represents a serious attempt to solve the problem created by the opposition of central authority and individual rights and needs, as Mill envisaged it. It means that modern democracy is beginning to realize once again that authority must be understood not as something against which the free individual 'is up', but as a needed support with the help of which the individual can grow to be truly free. Unfortunately, despite the tragic lesson illustrated by the collapse of so many continental democracies whose moral and political authority has been too weak to withstand the economic and political stress of the post-war world, even the theorists of democracy still entirely confine their schemes of reform to the needs and purposes of man's economic life. So long as this deeper understanding of the nature of authority is confined to economic matters, the proposed reforms cannot succeed, for the right exercises of authority, the proper obedience to authority; and the habit of moral virtue cannot be built up on the most selfish and transitory of human relations, economic relations. To devolve central authority according to economic considerations alone is to weaken artificial authority without creating the conditions for the growth of natural authority. It is to lose that small element of 'right' implied in the legislation of a utilitarian central authority without making the citizen or the associations of

citizens sufficiently 'good' to discover the 'right' for themselves. We have seen how anarchic the Middle Ages were: any return to-day to the system of corporations or guilds within the kind of democratic system inherited from the liberal individualist philosophy of the nineteenth century would be a return to even greater anarchy owing to the loss of the moral habit which was a characteristic of those times.

The fact must be faced that the answer to Mill's problem, as to the problem set by modern utilitarian representative democracy, lies in the choice of three possibilities. The first is, as it were, to enclose an economic corporative system adapted to modern economic needs within the armour-plating of sheer brute force: this is the Fascist solution. The second is to inspire the people with a quasi-religious enthusiasm for a new gospel, whether the gospel of science as Comte attempted to preach, or the gospel of a class-domination through a new economic revelation as has been more practically put into effect by Marx and his disciples. The only alternative to these two methods both of which depend on the introduction of a principle of order and discipline, whether the external order imposed by one forceful will or the inner order of enthusiasm for an idea, is the slow and arduous work of educating the people to appreciate the fact that the good life even in the freest of societies imposes of itself the recognition of numberless authorities of which political sovereignty is but one which, though the most necessary, is far from being the most fundamental. Any devolution of central political authority must expect to be met by an increasing sense of discipline from the side of the people and the organizations which have been voluntarily formed to meet new problems as they arise. In default of a strong tradition such self-discipline is only obtainable in practice through training in a genuine religion in which the natural order is not hidden but lit up by supernatural revelation.

CHAPTER IV

COMTE

THOUGH English Utilitarianism owed much to the scientific rationalism of eighteenth-century France, it quickly drifted away from such uncompromising teaching. Theological optimism, nonconformist individualism, economic *laissez-faire*, the flexibility of the constitution whereby the legal theory of sovereignty could be adapted to representative government made the alliance between the rigidity of rationalism and the pliability of democratic institutions possible. And, despite the criticism of John Stuart Mill, it was those very democratic institutions which enabled doctrinaire Utilitarianism to learn from its opponents. The Oxford Movement, the Co-operative movement, Chartism, Tory humanitarianism, Christian socialism slowly affected public opinion. Public opinion, in its turn, slowly affected the House of Commons. This explains why England in the nineteenth century, despite the shallowness of the utilitarian philosophy, adapted itself to changing conditions with more success than either the Continent or the United States. Though Utilitarianism adopted Helvétius's opinion that 'the vices and virtues of a people are always a necessary effect of their legislation', Britain still confirmed in practice the opposite view of Montesquieu that the 'principle or virtue' of a people is of more importance than the nature of its government. It is not without significance that Hegel indirectly owed something to English political practice, since he was greatly inspired by that part of Rousseau which is most influenced by the teaching of Montesquieu. It is not surprising that it was left to the English Hegelians to interpret their master in the most plausible and satisfactory way, for England, far more than Germany, is an illustration of the truth contained in the philosophical theory of the State. In England, the State is the sovereign and final form of society, yet it is from society that spring the forces of social and political action. Nowhere is the State's claim to have the final 'say' at any given moment more clearly recognized, yet nowhere is that final 'say' more clearly due to cus-

tom, precedent, the vitality of local government, the opinion of the people thinking not as abstract individuals but as members of permanent and temporary groups, independent in their activity of State coercion. Is it, too, nothing but a coincidence that in England, as in Hegel's theory, it is impossible to decide whether religion is part of the State or independent of it? At any rate it does fulfil the function which Hegel assigned to it of giving the State dignity and of making it the object of general respect.¹

Very different was the influence of scientific rationalism in France. The ideal of benevolent despotism endured despite the much greater surface changes in its history. The *philosophes* were not democrats, nor did they pay more than lip-service to the Protestant ideal of natural rights. They were products of the Renaissance rather than of the Reformation. They were scholastics rather than idealists or pragmatists, but their scholasticism was to be the handmaid of experimental science, not of antiquated theology. Their liberalism consisted solely in their desire to remove the obstacles of obscurantism and privilege to an unfettered use of natural reason in the problems of society. The kings of France had built up a strong centralized government with an efficient civil service, and long before the Revolution the one class in France which was useless to her, the feudal aristocracy, was rendered impotent. The burden of this expensive class and the expense of foreign wars were responsible for the financial collapse of the monarchy. The Revolution swept away the aristocracy and the grosser abuses of privilege, but, otherwise, it made less difference to the French State than the slow utilitarian revolution was making in England. The king (or his equivalent), the Church, the central government above the law of the land endured. Post-Revolution France, like pre-Revolution France, remained conservative, cultured, agrarian, protectionist, intensely national. Paris was more than ever the only city which mattered. The Church and the *philosophes*

¹ For a most suggestive criticism of the utilitarian theory of the State, yet 'untainted' by Hegelianism, read 'Authority as Federal', chapter vii of *A Grammar of Politics*, by H. J. Laski.

still disputed together for intellectual dominance. The middle-class and the farmers, with years of self-help and individual toil behind them, only asked to be left alone to make their living. They welcomed the abolition of privilege, for it made them more secure. They demanded equality and fair play, but their demand for liberty was no more than a demand to be left free to live their narrow provincial life. They wanted a strong centralized government, capable of internal and external peace, a Church with clear ideas about its teaching or in its place the authority of rational science. It is easy to understand that until France began to feel the great industrial changes which altered the meaning of capital and labour, they were content with *Etatisme* and benevolent despotism. The new despot was supposed to be the people—so much the Revolution had taught them—but they did not inquire whether the people who governed were the same as the people who were governed. Paris alone was interested in political changes. Until the third Republic had become established, none of the governments that succeeded each other so rapidly was able to adopt a paternalism sufficiently popular with the people to overcome the ecclesiastical and political intrigues of the capital, yet a little more imagination, a little more understanding of the unspoken needs of the French people might have confirmed the power of any of them. Even Louis-Philippe, the bourgeois king, failed entirely to do for the French people what the English people were doing for themselves.

At home, everything was to be done. Our code of laws required to be amended, our commerce, our industry and our agriculture to be freed, our municipal and commercial institutions to be created, our taxation to be revised, and above all our parliamentary system—under which out of 30,000,000 Frenchmen only 200,000 had votes, under which the deputies bought a majority of the 200,000 electors and the king a majority of the 250 deputies—required absolute reconstitution. Louis-Philippe would not allow anything to be done. If he could have prevented it we should not have had a railroad. He would not allow the most important of all, that to Marseilles, to be finished. He would not allow our monstrous centralization to

be touched. The owners of forests were permitted to deprive us of cheap fuel, the owners of forges of cheap iron, the owners of factories of cheap clothing.¹

Nothing could show more clearly than this passage the inadequacy in modern society of the ideal of benevolent despotism or rational government. In France there was a complete lack of mediation between the people—most of whom were still old-fashioned—and the State. This stagnation in what Hegel had called 'bourgeois society' reveals the inadequacy of a utilitarian or rational philosophy unless, as in England, it is fed from the manifold forces which are independent of the State. The result is a struggle between reaction and revolution, representing on the one hand the exaggeration of objective right and on the other the exaggeration of subjective demands. Reaction was destined to keep the upper hand, since France's industrialization was slow and localized, her central government, despite its changing forms, deeply entrenched and her foreign policy definite, popular, and militaristic. The triumph of the reaction was the imposition of a three years' military service on every citizen. France's contribution to the socialist movement was, doubtless, important, but it was purely theoretical: the omnivorous State has so far always succeeded in swallowing and growing fat on practical socialists.

Of all nineteenth-century French social philosophers, perhaps the most representative was Auguste Comte. Catholic in upbringing and in sympathy, positivist and anti-Catholic in practice, a typical reactionary in his attitude towards the spirit of revolt and change in the West, which he called 'the Western disease', yet intelligent enough to understand the radical social changes which were to result from the industrial revolution, he was like a generic image of Frenchmen. If his name is now almost forgotten, except for his having coined the word sociology, it is because he represented the spirit of a country which made no great contribution to social theory in the nineteenth century. The curious blending of science and religion in his

¹ Quoted from Nassau Senior's *Conversations* by Soltau. *French Political Thought in the Nineteenth Century*, p. 57.

nature is especially typical of France. Ever since the time of Descartes, intellectual authority in France had been disputed by the rationalists and the French Catholics. The rationalists with their cosmopolitan spirit had temporarily triumphed during and after the Revolution, but the exigencies of war, the policy of Napoleon and of the Bourbons, as well as the natural reaction to the excesses of the Revolution had restored Catholicism to power and to the affections of the people. But French Catholicism, whether Gallican or Ultramontane, had always had a strong political and national colouring. Comte saw the weakness of both sides and with an enterprise which did honour to his logic but not to his sense of humour, he tried to combine the authority and reverence of religion with the objectivity and certainty of natural science. He saw that most people would neither live nor die for science, and that more and more people were beginning to doubt the truth of the religion which could inspire their life. What more simple than to abstract from religion the antiquated dogma and philosophy which had outlived its usefulness and substitute for it positive natural science, thus founding positive religion. We shall see how impossible it is to effect the synthesis in those terms. The attempt, nevertheless, throws light on the constant struggle between a clericalism which was, in the interests of nationalism and social order, more ecclesiastical than the Pope, and an equally militant and national anti-clericalism which has little in common with the tolerant and humanitarian free thought of the Anglo-Saxons.

The life of Comte is without interest. He was born in 1798 and he died in 1857. He was given a scientific education. Though poor, he never succeeded in obtaining permanent employment; he had therefore to rely for money on private coaching, temporary appointments, and on the help of friends. He read widely, especially the eighteenth-century philosophers, Montesquieu, Condorcet, Adam Smith, Hume, Ferguson. He only knew German philosophy at second hand. He therefore had a great deal in common with the English Utilitarians and corresponded at length with John Stuart Mill. But the friend who made most impression on him in his young days was

Saint-Simon, whose private secretary he once was. He learned from him the need for a thoroughgoing reorganization of society. The contemporary political order was the product of the old static economic system, and its purpose was to maintain the *status quo*. Saint-Simon though a visionary in his plans was a realist in his understanding of the economic situation. The future lay with those who realized that the stern demands of a new industrial organization must eventually change creeds, customs, and laws. The State could gladly lose king, generals, judges, ministers, bishops, and chief landowners, but it would be a body without a head if it lost its artists, men of letters, doctors, bankers, and business men. To the care of these the fortunes of the people should be entrusted. Saint-Simon deplored the weakening of belief in Catholicism, since it alone had been able to ensure order and unity in society, but go it must and a universal religion of brotherly love must take its place. It was undoubtedly through his contact with Saint-Simon that Comte came to realize that the problem of society involved more factors than the philosophers of the Enlightenment had imagined. Neither the negative protest against abuse nor the positive belief in reason or utility could reconstruct a new society. The problem was to create a new and up-to-date synthesis. The medieval synthesis had been destroyed by the critical analysis of the Renaissance, the Reformation and the Enlightenment. The old and the new must come together; religion and philosophy, science and industry must be harmonized. Saint-Simon never attempted the task, but Comte's endless volumes contain the complete programme of the new society.

He started with the six volumes of the *Cours de Philosophie Positive* and ended with the four of the *Politique Positive, ou Traité de Sociologie, instituant la religion de l'humanité*. Between the two works, Comte, who had once before suffered from temporary insanity, was again attacked by a nervous disorder which he describes as accompanied by insomnia, oppression, feebleness, and melancholy. At the same time he became intimate with Clotilde de Vaux, a woman who affected him in a way that must be called morbid. She died a year later, but ever after

he worshipped her memory and addressed to her his prayers. These events are mentioned to explain the difference between the positivism of the first work and the mystical idealism of the second. It is at least certain that the influence of the first was greater than that of the second, but together they fulfil his self-allotted task. However, as he grew older, he grew queerer. He became more retired in his life, he appeared to become more religious, he read poetry instead of the newspapers, and he derived much consolation from the study of the Imitation of Christ, substituting all through the word Humanity for the word God.

Comte's philosophical and scientific reading convinced him very early in his life of the inadequacy of the only form of Christianity for which he had a natural admiration, Catholicism. Catholicism had been vital; it was now dead. It stood for an earlier stage in human development. On the other hand, the natural sciences which depended upon facts and the empirical laws by which these facts were related were for that very reason immune from the scepticism of future generations: they were once and for all certain. Hence human history must have passed through certain stages which led to the finality of the contemporary stage. These stages were three in number: the theological stage, the metaphysical stage, and the positive stage. In the theological stage man's natural curiosity about life is satisfied in the most obvious way. Events are explained by the power and will of personal agencies similar to the power which he experiences in himself. He begins by personifying natural forces; he reduces the number and finally attributes everything to the will of one Deity. In the next stage, the metaphysical, this simple and attractive synthesis gives way to a complex and unstable critical analysis. Explanation is now by means of abstractions. Examples of such abstractions would be final causes, matter and form, substance, relations, in philosophy; rights, liberty, sovereignty, in politics; ether, waves, electrons, in science. This stage has lost the subjective certainty of the first and has not acquired the objective certainty of the third. The third stage, the positive stage, is never very clearly de-

scribed, since it is the product of Comte's imagination. At any rate, metaphysics have disappeared; positive science and especially sociology have taken their place; theology has given way to the religion of Humanity. This religion is the result of the agreement of all men about positive science. Not all the laws of science need be known, but since these laws are merely the relationships between experienced or observed facts, in so far as they have been discerned, they must be true.

After the exposition of the three stages, he classifies the various sciences in order to ascertain how far each has reached the positivistic stage. This classification seems to be subjective and not objective, for the order in which the sciences become positive depends upon the insight of men. At the very start, therefore, he deserts the objectivity of positivism and fits sciences to man rather than man to the sciences. The last science to enter into the positivistic stage is sociology, the science of human relations. It is hardly too much to say that the only thing positive about Comte's own account of sociology is its novel name. But, since his day, many have tried to do what he failed to do, that is, to apply positive natural science to the problems that arise through the association of human beings in society. Before describing Comte's sociology, it will be convenient to say something about this attempt.

The greatest difficulty which faces the student of sociology is to put his finger on what is precisely novel about the science. The observation of social phenomena, the attempt to correlate them by the use of induction and deduction, is so natural to the inquiring mind that it must have occurred to the first man who asked the question 'Why?' Why do men seek shelter when it rains? Because rain makes them wet and being made wet is an unpleasant thing, therefore they put two and two together and avoid the rain by putting something between the rain and themselves. The first inquirer might have gone on to notice that there was trouble among the people when the rainy season began. Why? Because they had to come into close contact, began to argue too much, and generally became the victims of their tempers. Explanation of behaviour by natural causes is

implied in any inquiry. The distinction between the modern sociological inquiry and the primitive inquiry lies in the greater curiosity of the primitive inquirer. He wants to know not only the efficient cause of behaviour, but the final cause. Why should events be ordered in the way they are? The most natural answer is because either one or many unseen beings desire that events should work out as they do. Later, he begins to wonder why these supernatural beings have these desires. The only way in which he can understand their desires is by analogy with his own. Thus the purpose and meaning of natural events are explained by analogy with the purposes and meanings which the human mind and reason understand. Here perhaps we may find the clue to the difference between sociology and non-sociology. The interest of the latter (or traditional) inquiry into social phenomena is in their explanation in terms of Mind. The human soul is the centre of interest. The sociological inquiry, on the other hand, looks upon Mind as no more than one of the phenomena under investigation. If natural social phenomena are the consequence of mental activity it is natural to explain them in terms of purpose or end conceived by a mind that can transcend the here and now, but if mind itself is treated as but another temporal phenomenon explanation has to be in terms of efficient causality or of laws which sum up more sequences of events.

The success obtained by Galileo and Newton when they let the facts unfold their own story, instead of forcing the facts to fit into a pre-thought-out plan was, we know, phenomenal. We have seen that no time was lost in applying this method to human and social behaviour. But there was little agreement as to how the new method could be applied.

The purpose of social science, even more than physical science, is pragmatic. However much man may be made an object of science, his good remains the main stimulus to scientific inquiry. Can that good itself be discovered by experiment? The English Utilitarians thought it could. Science shows that man acts only for pleasure. On the basis of that one induction, a social theory as deductive and abstract as any which had preceded it was

built up, the utilitarian theory. On the Continent, the new scientific rationalism was content at first to translate the old Catholic philosophy of life into rational and scientific terminology. The end of life is immanent in life itself. Everything, if left to itself, necessarily works unto good. Progress, the indefinite perfectibility of man, the guidance of an impersonal providence were taken for granted. The application of these rational principles to the study of the facts would assure success and happiness. But once more the desire to find an easy solution made the new science almost purely deductive. It was not the enthusiasts over the new science, the rationalists and the utilitarians, but Montesquieu, Rousseau, and Hegel who bothered to notice the complexity and multiplicity of social phenomena. The philosophical approach was proving to be the most truly sociological. Comte himself, as we shall see, had hardly begun to be a sociologist before he became the type of the uncritical *a priori* theorist.

The question we must therefore ask comes to this. Is it possible to throw light on social phenomena, if we start by confining our study to the interpretation of the facts by the methods of natural science alone?

To do so, we must assume that the human mind takes its place among the series of natural phenomena and we must be content to explain these either by the discovery of sequences of events which are completely or nearly invariable, or by accounting for events solely by what preceded them. Though we shall never in this way find the meaning of those phenomena, we may be able to predict what will happen and we shall be warned about what to avoid.

The most obvious difficulty about the enterprise is its great complexity. The phenomena which interest the chemist, the physicist, even the biologist, are few and stable by comparison. They can be isolated, some can be measured, their recurrence is so regular that a deductive science can be based on a few general laws. Whatever is touched by man, on the other hand, seems to share in his individuality and his idiosyncrasies. What could be simpler than the answer to the question: 'Why do men

build houses?' Yet for an answer we must choose between many possible reasons: for shelter, for comfort, for show, for worship, for health, for defence, for art. And each of these reasons in its turn will suggest a choice of many further reasons to complete the account. If so simple a case involves so many complications, what hope can the sociologist have of making progress? Yet he might answer that mere complexity is no reason to shirk an enterprise. The phenomena which are now easily explained by simple chemical laws must have seemed equally complex to our pre-chemical ancestors. Furthermore, he could point to the success of sociology. By neglecting the individual with his complicated opinions and desires and studying the type or average, much can be learned about the behaviour of men in society. We have learnt a great deal, for example, about the laws which govern the rise and fall of the population. We know the effect of the rise in the standard of living on the mental and physical health of the people, we know that tyranny is the consequence of extreme democracy, we can study with profit the effect of natural environment on the work and therefore on the character of different races.

But is the difficulty merely a matter of complexity, or is there a flaw inherent in the method of the study?

The improvement of human society is inherent in the scientific study of human society. The ordinary sociologist may be vague about his purpose, he may call it the achievement of progress, of perfection, of harmony, or of happiness. Anyhow, he expects that he will leave things better than he found them. Even if he professes to be interested in nothing but truth, he believes that truth will do us good. This is because, while, like every other natural science the result of his study only reaches what *is* or *has been*, unlike every other natural science sociology presumes to make *all* that is human the object of its scientific inquiry. The judgement of value which tells us why we pursue the study is a human judgement. It must therefore be itself one of the phenomena which are the object of the science. But how can a judgement of value, an *ought*, arise solely from the determination of what *is* or what *has been*? At most sociology, like

history, can discover what motives have had the most observable or far-reaching results. Whence, then, can the sociologist derive a criterion by which to judge of the goodness or badness, the rightness or wrongness, the suitability or unsuitability of any motive? Only by a judgement of value which must be prior to and implied in social science. The human mind as the source of valuing cannot therefore be one of the phenomena which sociology correlates. But, if we remove it, we remove a most important cause of actual social happenings. It is true, no doubt, that in the study of the type we are able to abstract from the million different judgements, interests, desires, which cancel out in the resultant effect. We can say that, whatever the individual units may think, the mass inevitably responds to simple and easily ascertainable stimuli. But if the purpose of sociology is the betterment of man and the happiness of future generations, it cannot be content to stop at the discovery of the laws which have governed a less satisfactory past. The discovery of the laws of human behaviour is made in order to avoid the haphazard, irrational organization of society in the past. Yet these laws are for the most part statements of what has happened to society when individuals pursue their own private good. They can act as warnings, but hardly as guides for the rational social organization of the future when education will teach men to act together for the good of the whole. Still less can they provide the standards which will guide us in the choice of the direction which this rational society should take. It is therefore of the very first importance that the sociologist in order to understand the past and in order to be able to warn us about the future should be able to judge about right and wrong, good and bad. But in so far as he does this he is transcending the self-imposed limitations of his own study. His science can tell us how things happen and how they may happen again; but it cannot tell us why they happened, since the individuals who are the source of all social action are deliberately neglected. Still less can it advise us about what ought to happen in the future. All it can do is to temper our *a priori* optimism by teaching us the brute facts of the past. All change depends upon the nature of the

subject of change and the sociologist can teach us the nature of social behaviour. But the very presuppositions of his study imply that social behaviour, unlike the behaviour of oxygen, is not invariably the same. He cannot take his place among those who wish to better the world unless he gives up his pretension to being able to include all human and social behaviour among the objects of his positive study. But if he gives up this pretension there ceases to be anything very novel about his work. It becomes little more than a superficial account of what is properly a matter of history, anthropology, psychology, economics, religion, and politics. This superficiality is made clear in some examples taken at random from sociological studies. The sociologist calls crime 'that which offends the community', punishment 'the spontaneous reaction of the offended community', and conscience 'the guardian in the individual of the rules which the community has evolved for its own preservation'. Doubtless each of these descriptions contains some truth, but to suppose that they contain the whole truth is to disregard everything except the primitive and animal factor. The existence of law and justice whose characteristic it is to be objective and impersonal could never be explained if crime and punishment were but the names of subjective feelings of offence and revenge in the heart of the community. Unless the community could transcend its feelings and estimate crime by individual moral judgement of right and wrong, justice would be inexplicable: it would be precisely what it is not, revenge. Again, if conscience were nothing but a mechanism for the preservation of the community, how would it be possible to explain the fact that the most delicate and scrupulous conscience is generally out of sympathy with the prevalent moral standard of the community?

We have dealt at some length with the attempt to found a positive science of sociology, because its apparent objectivity and certainty have gained it some popularity in a time when the religious and philosophical approach to the study of society seems to have lost touch with modern problems and modern tastes. Comte had recourse to it for this very reason. Yet if we

remember that from the time of the Reformation the trend of political theory has been to protest on behalf of the rights and liberties of the individual, that utilitarianism, though starting as a social science, soon drifted into democracy, that the strongest non-religious ethical forces of modern times are patriotism and socialism, we shall realize that a self-contradictory and vague sociology is not likely to provide by itself the canon of truth and of right and wrong which these ethical forces are trying to discover. In so far, however, as sociology reminds the social philosopher of the many and varied conditions of the social problem, it is a warning to the latter of the terms—too often neglected—of his own inquiry. Comte's own account of sociology and positive religion was a blend of uncritical science and uncritical philosophy. He was determined to seek for values amidst social phenomena. M. Lévy-Bruhl has summed up the work of Comte in these words: 'To consider the other fundamental sciences as indispensable preliminaries; to represent the evolution which has brought them forth in turn as the very history of human progress; to verify the law of the three states in all our beliefs and in all our knowledge; finally to control all scientific research from the sociological point of view.' But we seek in vain for any positive account of the sociological point of view, for there is none. It is merely Comte's point of view. After the friendship with Clotilde de Vaux, Comte allowed quite a new importance to the heart in determining the values which were to be preserved in the religion of Humanity. He knew very little about metaphysics, so he substituted what his own mind understood for the tedious discipline involved in working out what is implied in a rational universe; he was too impatient to wait for the conclusions of truly objective science, so he accepted only what suited his desires; he was too sceptical to believe in God, so he worshipped his own ideals under the name of Humanity. It is no great wonder that his system as a whole is completely subjective and riddled with contradictions. It would not be worth study, if his attempt to have absoluteness without certainty, politics without ethics, and religion without dogma had not found so many imitators. Let us briefly describe it.

Men are by nature altruistic as well as egoistic, but altruism is more characteristic than egoism. We tire of thinking, but never of loving. Society has resulted from the natural inclination to associate, not from any reasoned choice. It is to the effects of this association that human character is due. To think of man by himself is to think of an abstraction: the community alone is real. That which moves men to action is emotion and feeling. It is the heart that rules. The intellect is a necessary but dangerous servant of the heart. It tells us what we can achieve, but if we attempt to make use of it to reach absolute truth we become the victims of its delusive authority. It inevitably weakens the instinctive solidarity built up by the heart. It is only capable of a 'subjective synthesis'; this means that it can only relate phenomena together by the principle of their interest to humanity. The permanent or universal element is not 'being' as in realism, nor 'the concrete whole of mind unifying matter' as in idealism: it is Humanity. This Universal is not absolute but relative, but it combines certainty with relativity, since it does not depend on any fictitious absolute to be shattered by the first critical philosopher. The organization of society must fit in with these truths. Politics should be the servant of this social heart. Comte always admired the Catholic system as he understood it. In it the spring of action is spiritual faith kept alive by the preachings of the priesthood. Unfortunately the grounds of that faith have, he claimed, disappeared; the keeping of the new social faith must be entrusted to a new priesthood which will preach the good of Humanity instead of the love of God. For this purpose, it will make great use of the working classes, the plain men and women. Thus a constant undertone of solid affection and altruistic feeling will bind the parts together and enable social action to be fruitful. Just as 'charity covers a multitude of sins', so this new social charity will burn away those intellectual puzzles which are typical of the metaphysical stage. The relations between different States, between people and government, questions of rights and sovereignty, will lose their dangerous sharpness. The intellect will be free to occupy itself with

problems of relative truth, problems of industrial and economic organization suitable to the needs of the time. Politics will be a practical science, not a battle-ground of metaphysical ideas which result in arbitrary and unexplained coercion. Comte distinguished in every science between the principles of permanence and the principles of change, between statics and dynamics, between, for example, geometry and mechanics in mathematics, anatomy and physiology in biology. In society, he distinguishes between the spiritual power and the temporal power. It is for the temporal power to discover the conditions for the economic good life of the people. This, he saw, was, in the nineteenth century, in the main a labour problem. If the working classes can obtain economic satisfaction, they will soon forget the shibboleths of freedom and political power which can lead to nothing but instability and suffering; they will instead devote their energies to co-operating with the work of the scientists who are trying to make science serve humanity. But the necessary condition of this social spirit is the correct emotional disposition. That must be the work of the spiritual power. As Comte grew older he attached more and more importance to this. In his early writings he showed some respect for the facts; later he seemed hardly to care about facts—all would depend upon the right spirit. He ceased altogether to study, substituting what he called 'cerebral hygiene' for reading. The product of this hygiene was the fully constituted religion of Humanity with its trinity: the great being or Humanity, the great fetich or the Earth, and the great medium or World-Space. This religion which copies Catholic dogma and ritual, substituting everywhere positive endeavour for theological faith, is in his eyes the final achievement of positivism. It does not consider other religions false, but merely inadequate; it glorifies the whole past achievement of humanity in its inevitable progress along the three stages. Religion expresses man's craving for unity and truth on the one hand, and his feeling of dependent reverence and love for mankind on the other. Only the religion of Humanity can adequately do this, for it alone is founded on the one thing permanent and beyond the reach of criticism,

Humanity. It alone can restore to society that most precious spiritual motive whose absence through the inevitable disintegration of dogmatic religion has been the cause of the instability, social unrest, injustice, and unhappiness characteristic of post-Reformation Europe.

This short account is enough to make clear that Comte realized what so many of his contemporaries did not realize, that the problem of society involves two factors which are difficult to harmonize: the factor of moral goodness, and the factor of objective rightness. We have seen that with Locke, Rousseau, and the Utilitarians the problem was ultimately evaded by recourse to majority decision. The consent of all who participate in social action, interpreted in practice as the consent of the majority, was felt to fulfil both subjective and objective moral requirements. The formula 'whatever the people require, they have a right to' has become the sole moral rule of political practice. This is really what Comte called 'the Western disease'. It results from a changing of the true rule 'unless a person wishes to do what is right, the doing of the right does not become a good or moral action' to the false one 'whatever a person really wishes to do must be good and therefore right'. Comte was rightly convinced that the question of right and wrong is objective. It depends not on desire but on the nature of reality; it is a question, in scholastic terminology, of the objective law of nature, itself a participation in the Eternal law. He was equally convinced that people will only do what is right if they believe it is right and possess that moral or religious spirit which makes them want to do it. The arbitrary imposition of even right law will cause reaction in favour of unrelated protests called rights, which are often nothing but selfish feelings. So far Comte was merely reasserting the teaching of the Middle Ages which he considered to be superior to the second or metaphysical stage of human development. The question which we have to ask, therefore, is whether Comte was able to establish a canon of objective right and wrong out of the data of the positive stage, and whether, failing that, he could give reasons for supposing that society could acquire

sufficient religious and moral enthusiasm over a purely pragmatic substitute in order to solve the political questions characteristic of the metaphysical stage.

It is sometimes suggested that questions of ultimate right and wrong hardly enter into social philosophy. Society as such is interested rather in what may be called economic good. The authority of society is limited to legislation and organization directed to achieve this economic good. The ultimate good, 'the laws unwritten in the heavens', the will of God—however an ultimate standard of right and wrong be described—this is a matter for the conscience, or at most for a religion which remembers that its concern is solely with 'the things that are God's'. We have seen that the social scientist, while beginning with a faith in the equation between truth and goodness founded either on an unconscious religious optimism or on a false analogy between the brute factual truth of chemistry and the facts of sociology, is soon forced to become a judge of good and bad, of suitable and unsuitable. His judgement is made in terms of social or economic good. Now there is a sense in which such a distinction between ultimate and economic good is true. It makes sense when we distinguish them as categorical and hypothetical imperatives. Political authority should be hypothetical; it should be a means to an end. The economic good which is its object should be the conditions of social and bodily welfare which make the pursuit of the good life by the individual possible. Unfortunately the nature of those conditions will depend upon the view we take about the good life. Comte's endeavour was to make the economic good the ultimate good, the hypothetical the categorical. It is important to distinguish his aim, so often copied since, from that of Rousseau or Hegel. The latter tried to prove that the ultimate good was immanent in the natural evolution of society. This view we shall meet again in a new form when we consider the philosophy of socialism. Comte, on the contrary, wanted to show that a relative, hypothetical, economic good could serve as an ultimate good. His positivism did not allow him to hold that there was anything absolute about society, but his dislike of the

metaphysical stage prompted him to find permanent rest in the relative. Hegel was a metaphysician, but Comte wanted the advantages of metaphysical certitude based on scepticism about the absolute truths of metaphysics.

He was much impressed by a second-hand study of Kant and believed him to have proved that all knowledge is relative to the knower. Everything was therefore relative to Humanity. The notion of Humanity was positive and scientific, yet it had a pleasant sound of permanence about it. Man was an abstraction, Humanity a concrete reality. We can never be certain of the objective judgement *A is B*. The judgement of the scientist *I see that A is B* or *I see that A leads to B* is too empirical. But *Humanity sees that A is B*, or *that A is B in so far as Humanity is concerned*, has the advantages and none of the disadvantages of the others. Hence the 'subjective synthesis'. It is perhaps unfortunate that metaphysics is not so easy as all that. The word Humanity must either be understood in a nominalistic or realistic sense. If it is but a name, it represents the totality of human beings. A mere addition of empirical judgements, even though it reach to infinity, does not make the judgements any the less empirical. If Comte is not content, as he rightly is not, with the objectivity of the empirical scientific judgement of any one man *that B follows A invariably*, he has no right to deem its certainty better founded because every man will make it. If Humanity is understood in a realistic sense, it must be in virtue of something real in which all men participate. They must be a manifestation of some Idea or Spirit, or they must be created by some Being, in whose reality they in some way participate. But obviously Comte's empirical premisses give no ground for a view which would entirely alter the nature of the judgement.

Comte therefore gains nothing by his recourse to the abstraction, Humanity. In fact, he weakens whatever plausibility empiricism may have. He admits that sociology is the last of the sciences to reach the stage of positivism. Presumably it is the one about which we still know least. Yet he does not hesitate to make the other sciences relative to it. Mathematics, astronomy, physics, chemistry, and biology—to give them in

the classification of Comte—have contributed greatly to the stock of human knowledge. As positive sciences, their success has been due to the independent and fearless work of their students. The determination to follow whithersoever its researches lead, to refuse to be fettered by pre-conceived theories, to be willing to work on contradictory hypotheses if they lead to results, these are the characteristics of scientific work. Comte was aware of the danger or apparent danger of the method. He saw religion, ethics, politics crumbling to the ground; he saw the spread of the 'Western disease'. As he grew older, he desired more and more to control science for the good of Humanity. But this simply meant the control of the more established sciences on behalf of the most doubtful, sociology. Thus he fell between two stools. He could not believe in the dogmas of religion or the absolutes of metaphysics, and yet he vitiated the method of science by subordinating it to a spurious abstraction. Though few Comtists remain, many pragmatists, modernists, and sociologists still hope to achieve the self-contradictory task of transcending empiricism without committing themselves to either metaphysics or to dogmatic religion.

Comte's insight into the negative character of modern social philosophy enabled him to make some shrewd and valuable criticisms of modern political organization.

Disagreements about the fundamentals of religion and philosophy cannot lead to social peace. The story of history is largely one of disagreeing wills. He sensed that the recourse to the unaided intellect, especially since the time of Descartes, had been too often the cause of the 'Western disease'. Modern history has been the result of a clash or a compromise between different views and different wills and the resultant is something which no one has willed. Despairing of reaching any concerted action as a result of the agreement of intelligences, he founded his hopes of social equilibrium and peace on the agreement of feelings. The common impulse to love one's neighbour, the enthusiasm for a quasi-religious ideal, the reverence for an object of worship would be effective motives for social action. Granted such a common inspiration, the intellect of the

community would be left free to concentrate on practical problems, on the real economic good. Probably because of the influence of Saint-Simon, Comte saw that the practical problems of the nineteenth century were problems of economic organization in a world which was rapidly becoming industrialized and in which, as a consequence, the law and practical morality were rapidly becoming ineffective. Industrialization had given a new importance to a new class, the proletariat. The intellect should therefore be applied to the construction of a system which could harmonize the needs of industry with the needs of the wage-earners of whom it had to make use. This can be done all the more easily because the right spirit of love and enthusiasm is under the care of the separated spiritual power. We can see now how greatly Comte differed from either the early doctrinaire Utilitarians or the democrats. Both of these were persuaded of the dictum of Helvétius that the vices and virtues of the people are a necessary result of their institutions. Both therefore imagined that either a well-thought-out scientific system or free representative institutions would change the spirit of the people. Comte, with more realism, had no faith in institutions until the spirit of the people was inspired by religion, education, and emotional enthusiasm to accept and to work them. But the sequence of causes and effects does not stop there, as he thought. Faith must be grounded in something real or something felt to be real. Comte's religion of Humanity was neither real nor felt to be real. It was too abstract and intellectual to become a popular cause, and it was too false to attract intellectual leaders and, through their work, to filter down to the people. Since the Reformation the popular causes which have had the power to inspire enthusiasm have been mostly negative protests against arbitrary tyranny: protests in favour of human rights, of liberty, of self-determination. Their force lies in the fact that they represent genuine ethical intuitions: they are real. But they are only part of the whole reality, and any social organization which rests on them alone is artificial, negative, and unstable. It dwindles to the authority of leaders popular enough to have the ear of the majority; it

commands neither true moral consent nor has it any pretence to be right. One faith of vast importance, the real rival of what is left of Christianity as a social force, is socialism, either in its international and 'class' form or in its national and totalitarian form. It too began with the above negative protests, but its leaders, largely inspired by the philosophies of Rousseau and Hegel, have been able to build up what amounts to a religion on those foundations. With it we shall deal in the next chapter.

Comte, as a Frenchman, was exceptional in not laying stress on one of the strongest faiths in modern society: faith in one's country, nationalism or patriotism. In this he was wiser than Hegel, who tried to fit his Absolute into the narrow frontiers of a Prussian kingdom. Positivism accepted the fact of separate nations, but Comte realized that national unity had no permanence or stability. The spirit of the future must transcend such particularism. Science was universal in its scope, while the real problem of the nineteenth century lay in economic relations which are not bounded by territorial or national divisions. Unfortunately recent history has shown that the accident that States must, in order to function, be bounded in their authority by more or less arbitrary frontiers has been the cause of an enthusiasm which overrides both justice and utility.

Comte's sympathy with Catholic social philosophy enabled him to see that the most prosaic problems of social good and political administration must be related to a faith which will move people to co-operate with the best laid plans and which will, indeed, provide a criterion by which to judge of the merits of those plans, but he failed to understand that the Catholic faith itself depended on intellectual persuasion that it rested on truth. His real failure goes back to the law of the three stages. He persuaded himself that both the theological and the positive stages were satisfactory because they were uncritical. In them subjective certainty,

The world 's so perfect and entire,
Quite above faith, so right and fit!
Go there, walk up and down in it,¹

¹ Browning, *Easter Day*.

gives a solid foundation for harmonious social activity. The truth is that the metaphysical stage must underlie the theological and positive stages, if they are to be of any value. Man may persuade himself that a 'subjective synthesis' in terms of some subjective experience, like pleasure or coherence within the limits of such experience, is enough, but sooner or later he will find that the very form of the judgement, *A is B*, commits him to the search for objective truth. Not only does the history of metaphysics prove this; the history of religion and the history of science are witnesses to the eternal search for *what is*. It is true that the Renaissance heralded a period of such excessive criticism that social instability was inevitable. But Comte's proposal that the human race should agree to be blindfolded in order to ensure mental quiescence was a remedy obviously worse than the disease. To replace the metaphysical question of the meaning of existence and of the reality of a personal God by creating a patent and deceptive catchword, Humanity; to replace the ethical problem of right and wrong by appealing to feelings of egoism and altruism; to replace the law of nature by the empirical sequence of arbitrarily chosen facts; and, at the same time, to hope that these substitutes would serve instead of the original convictions or genuine problems was to imagine that the deepest realities of life could live on the most glaring superficialities. There can be no artificial solution of social instability founded on intellectual, moral, and religious disagreement. Equally there can be no social stability until this disagreement makes way for an agreement based on a perception of the truth.

The Middle Ages organized society on what they believed to be metaphysical reality. Their failure lay not in their ideas, but in the inefficiency of the means at their disposal to convert ideas into actualities. Scepticism, whether in the form of free-thought or in the form of Calvinistic private judgement and individual self-sufficiency, completed the breakdown of this organization. The remains of the medieval moral beliefs in the shape of individual rights kept up a constant attack on the positive State, first in the guise of a *de facto* arbitrary force and

later in the guise of scientific and rational Utilitarianism. Meanwhile, below the surface of political life, a rapid development of industrial and economic organization was taking place. Both utilitarian political institutions and what was left of Christian morality were unable to adapt themselves to this new series of problems. Throughout the nineteenth century this new problem was giving rise to a new movement, socialism. Socialism was something very different from the negative liberalism which we have seen to degenerate into representative democracy and the unenlightened tyranny of majority decision. Socialism was a religion and a philosophy: it set itself the task of providing a new spiritual unity which is to replace Christianity in a world where materialism and economics are believed to be the only reality. If we reinterpret Comte's three stages, not as divided in time but as representing three ways of interpreting the problem of social organization in the West, we shall find that they stand for the Christian interpretation, realistic because it wishes to account for everything that is, idealistic because it sees everything as the expression of a Divine creative power in which everything finds its ultimate meaning; for the materialistic interpretation which finds in an abstraction, matter and physical force, the sufficient grounds for a Utopian regeneration of mankind; and finally for what may be called the pragmatic or utilitarian interpretation, which tries, so far without success, to found social harmony on the combination of the idealism of Christianity with a disbelief in the truths of the Christian faith as radical as that of the materialists.

CHAPTER V

BOLSHEVISM

THE previous chapters of this short study of modern social theory should have made it clear to the reader that there have been radical defects underlying an evolution which we too easily term progressive. We have seen how the Renaissance and Reformation gave their intellectual and religious blessing to the failure in practice of the Christian theory of society

in the Middle Ages. A narrow but sturdy individualism was substituted for the more complex view that the good life of man was dependent on the good life of a society bound together by its common dependence on the protection and the will of a God who counted in the affairs of men. A new confidence in man's natural power of discovery through the experimental methods of science replaced the old confidence in the rational interpretation of revealed dogma. But this individualism and this confidence in science did not easily harmonize. The full force of man's religious and moral nature was concentrated on the defence of undefined, unanchored, but deeply felt natural rights. Rationalistic and experimental science progressed relentlessly and in fundamental disregard of these abstract rights. The apparent harmony between the two movements was continually breaking down. The earlier rationalists, still filled with the spirit of Christian optimism, were convinced that the truth which they were discovering would liberate man from priestly prejudices. To do this, however, it was necessary to live under an enlightened despotism which the advocates of the right of liberty resented. The latter hoped that free man would somehow grow wisdom as rapidly as freedom. The result was not harmony but a weak compromise: utilitarian democracy. By this system liberty would be safeguarded by majority decision, while various means such as representation and expert civil services, which ensured that the people who governed were not the same as the people who voted, preserved rational and scientific utility. The system in fact guaranteed neither rights nor scientific government. Nevertheless it must not be forgotten that in the process the individual was relieved of much of the burden of antiquated and inefficient administration, of unjust and cruel law, of much remediable suffering. This great emancipation might have outweighed the unsatisfactory nature of the compromise had it not been for the rapid development of the new economic forces which we associate with the industrial revolution. These neither the rationalist nor the democratic supporters of the new State were able to understand. This would have been pardonable, but unfortunately the shal-

low philosophy of both made matters worse rather than better. The democrats, those who believed in the natural harmony of the interests of free man, dazzled by the rapid growth of what they most earnestly desired, wealth, found in *laissez-faire* and in the removal of governmental restrictions an apparent confirmation of their faith. Those who believed in the artificial harmonizing of interests by civil authority, the true utilitarians, found matter for satisfaction in the trend of popular philosophy. Scientific materialism was making rapid headway. Until the nineteenth century scientific philosophy still retained the idealism of the Christian tradition of the West. It was supposed that science must remain man's instrument in the construction of a better world. But the progress of biology began to draw men's attention to the real implications of scientific naturalism. Man himself was nothing but the product of the determined sciences. He was not the master but the victim of scientific forces. And those forces were being proved to have little resemblance to the ethical and humanitarian ideals of those who had rejected Christianity. Evolution, the survival of the fittest, 'nature red in tooth and claw' were supplanting natural religion, Diderot's 'universal law which the finger of God has engraved on every human heart', Saint-Pierre's 'perfectibilité' and 'paix perpetuelle'. Nature was being regarded as a monster to be appeased by sacrifice. The only chance of making terms with her was to borrow her own ruthlessness and violence. Not the morally best but the strongest would survive. There can be no doubt that this spirit had penetrated deeply into those who were watching the social effects of the rapid growth of wealth. Malthus had sounded the pessimistic note which balanced the optimism of Adam Smith. The new wealth seemed to be a triumph of liberty: but Nature's price had to be paid. However enlightened the fittest might be, only the fittest would benefit by material progress. While liberal ideals together with British doctrinaire hedonism were being transported by Bentham's followers to Australia, India, South America, and Africa, while the strongest at home were growing more and more comfortable in body and soul, the people who had been eman-

cipated by the philosophies of Locke and Rousseau were paying the price of economic oppression for the doubtful advantages of political and civil liberty, for education, sanitation, and poor-law reform. The dread of interfering with the laws of ruthless nature was enough to make kind and philanthropic men refrain from supporting legislation to abolish or to diminish the terrible sufferings of those whose labours were making the new wealth possible. The trouble was not the mere fact of economic oppression. 'The poor we have always with us.' It is difficult to decide when and where the poor have suffered most. The choice between the material conditions of the serf in the Middle Ages, the squatter in eighteenth-century England, the Russian peasant, and the factory-worker in the early part of the nineteenth century is only a question of degree of acute discomfort. The trouble was due to the existence and increase of oppression under the new conditions. Christianity had (rightly or wrongly) given suffering and poverty a meaning: the new philosophy had taken it away without providing a remedy. It was a bitter disappointment to realize that the rationalist and democratic idealism which had succeeded the religious realism of Christianity was itself giving way to a very different material realism which made the strong stronger and the weak weaker.

The early social reformers, a Saint-Simon in France, a Robert Owen in England, were still optimists. They realized, as the political leaders and the philosophers did not, that what we now call the social question was the vital one, but they believed that the proper application of scientific discovery and faith in the ethical ideals of liberalism would be sufficient to solve it. Owen, for example, was convinced of the importance of education. The right environment and the instilling of the right ideas from the beginning must inevitably produce the right man. But even he, like so many of his contemporaries, was impatient of the necessarily slow growth of reform in the civilized world. Factory reform and the problems of exchange without money would not be as effective as new experiments with small bands of pioneers who would found voluntary co-operative communistic settlements in the new world. Their success would teach the

old world that the problem of social happiness was a matter of the right spirit and the right organization. Nevertheless, the early social reformers did not despair of early success even at home. Practically all the ideas which were to be reaffirmed in more fully socialized industrial organization, the labour theory of value, the general strike, trade unionism, State control of industry were discussed and as far as possible made practicable. All this early socialism was stillborn, for it lacked both intellectual and popular support. There was no consistent philosophy behind it. It was still part of the liberal movement and it shared its optimism in the face of rapidly growing philosophic pessimism.

It was the same in France. The Revolution had, as it were, sketched out the phases of future social history. The bloody part of the social revolution had come too early. In rapid succession trial had been made of constitutional democracy, of terrorism with the expropriation by the people of the wealth of the rich, and even of an attempt to found a genuine communism under Babeuf. The net result had been less political and civil liberty for the people than had been achieved by the bloodless utilitarian reform in England. The long period of reaction had been a period of stock-taking and reflection. While Napoleon was organizing the modern State and the Bourbons were playing at kingship, extremists like Saint-Simon and Fourier were looking far ahead. They thought that it was possible to work out gradually and peacefully the premature achievements of the Revolution, to pass from a superficial political liberalism to a Utopian industrial society. The real happiness of society would result from the rationalizing of economic organization, from the inspiration of positive religion. The means was not to be a meaningless democratic individualism, the freedom of every citizen to accept the coercion of a harsh competitive system imposed from without, but the realization of a spiritual economic community in which all would work together for their own prosperity. The key to the future enjoyment by all of the increasing returns of industry was to be industrial self-government and voluntary co-operation of every class and type in the

community. Not the desire of gain but the sense of social inter-dependence would provide the motive both for work and for the willing acceptance by each in turn of the unpleasant sides of scientific economic organization. Unfortunately, while Saint-Simon and Fourier anticipated on paper many modern ideas, their optimism had little relation to the real world and Fourier's phalanxes, like Owen's communities, had to be content with unsuccessful transatlantic experiments in conditions removed from the real problems of civilization.

What socialism needed was a man with sufficient personality and courage to cut himself adrift from the unreal optimism that had so long survived the Christian dogmas which had once justified it. It needed a man who could discern the genuine beliefs of the time and on them build up a radically new social philosophy, a materialist who could build a materialist utopia on a materialist foundation. That man was Karl Marx.

Marx, like Rousseau, is the despair of the logical philosophic critic. On a superficial analysis, he is unaccountable. The critics have never ceased to dissect the works of this Jewish bourgeois, temperamental, quarrelsome, ungrateful, living on charity, abnormal in mind, diseased in body; they have vied with each other in proving the contradictions and absurdities of his theories and in pointing out the antiquity of what he thought most new and of much which is nothing but plagiarism from the works of his predecessors. Yet, like Rousseau whose work was so important a cause of the French Revolution, Marx, for all his contradictions, made possible the Russian Revolution. The humble research worker who for thirty years read like any obscure student in the British Museum can claim to have been the most important figure of the nineteenth century. Running through his endless pages of subtleties, contradictions, obscurities, there is one constant conviction which explains the tremendous influence which he exerted; it is the conviction that, in a world in which the strongest force is bound to prevail, the strongest force is the proletariat, and the proletariat must therefore inevitably become dictator. Translated into moral terms, this same conviction is expressed in his axiom that 'the notion of human

equality has already acquired the fixity of a popular prejudice'.¹ His education and his life made him profoundly dissatisfied with the beliefs and the practice of the post-Reformation world: his own philosophy and his reading of history convinced him against all appearances to the contrary that the facts, the realities, were on his side. His work consisted in little more than the constant reiteration of his convictions, now in metaphysical, now in ethical, now in oratorical language.

In the middle of the nineteenth century Marx saw the industrial age at its ugliest in England. Extremely little had been done to change the classical picture which Sismondi had drawn twenty years earlier:

It may almost be said that in modern times the community lives at the expense of the proletariat, on that share of the remuneration of his labour which it deducts from him. . . . The more wealth is accumulated in a single hand the cheaper can it execute the work it has undertaken. This principle which creates an abyss between extreme opulence and extreme poverty applies equally to all industrial labour, and it gradually drives everywhere out of the land that happy independence, that happy mediocrity which was long the object of the wishes of the wise. . . .

Modern theories

if they intended to make the rich man more rich, also made the poor man more poor, more dependent, and more destitute. Crises utterly unexpected have succeeded one another in the commercial world; the progress of industry and opulence has not saved the operatives who created this opulence from unheard of sufferings. . . . I have shown that the equilibrium among the gains of rival occupations on which modern economists have founded their calculations has never been attained, except by the destruction of fixed capital and the mortality of workmen engaged in a losing manufacture; that although the invention of machines which increase the powers of man may be a benefit to humanity, yet the unjust distribution which we make of the profits obtained by their means changes them into scourges to the poor.²

Marx having been brought up under the reactionary rule of

¹ *Capital*, 1. 29. Refer also to Lindsay, *Karl Marx's Capital*, p. 66.

² A. Shadwell, *The Socialist Movement*, Part I, pp. 7-11.

Frederick William III and IV had no reason to look into the future with the eyes of British liberalism, to believe that this state of affairs was a regrettable but necessary introduction to the chapter in the world's history when economic liberty would be achieved by the masses who had already obtained civil and political liberty. Educated in the atmosphere of Hegelian determinism, of the atheism made popular by the recently published *Life of Jesus* by Strauss, under the influence of Feuerbach's dictum that 'all theology is psychology', he found himself gradually shaping what he called the materialistic conception of history. Like all his German contemporaries he was fascinated by the majesty of the Hegelian dialectic, but the eternal movement of history was not the unfolding of the Spirit, it was the unfolding of matter. To make his view plausible, Hegel had to fit the brute facts into a preconceived theory, whereas the brute facts themselves were the revelation of the real movement. Natural, physical, scientifically determinable forces were acting according to their own inner law, and man by the mysterious power of thought could grasp the meaning of the movement. Before the eyes of the spectator this drama was being enacted. The plot revolved round the nature of private property. Private property manifests itself imperfectly positively and negatively. Positively it is property satisfied with itself, the property of those who have. Negatively it is property discontented with itself revealing its power in those who have not. Both manifestations are equally one-sided, equally bad taken by themselves. The proletariat, those who have not, are as much an abstraction, a negation, as those who have too much. The proletariat is the negation of humanity: it becomes so inhuman that it comes to realize that it can only become human by destroying the whole system which has led it to this pass. This argument written at the age of twenty-six in *The Holy Family* shows the essential character of Marx's Hegelian determinism. The dialectical method changes its character as soon as it becomes material. We think abstractions, but we perform deeds. The opposition of contrary thoughts is possible because they are really abstractions, but the opposition of contrary

deeds means a fight. The synthesis comes about by a clash of forces, not a dovetailing of ideas. That is why Marx was bound to fall back every time on the doctrine of class war. It was not through the ideal harmonizing of the conditions of production by the law of the Mind, but by the inevitable material disharmony between the classes of producers that the final synthesis would be reached. The historical fact of ceaseless class war, more or less disguised, was the solid foundation on which inconsistent philosophical interpretations could comfortably rest. 'The history of all human society past and present has been the history of class struggles.'¹ If this is true, it does not greatly matter whether Marx was a psychological determinist or not. It is not generally realized that the materialist conception of history must presuppose psychological freedom in human beings. The strongest will only prevail in a world where everybody is able and determined to fight for himself. If all men were psychologically determined, either the inscrutable laws of nature or the plan of the maker of the world must inevitably prevail, and there is no reason to suppose *a priori* that the physically strongest or the most numerous will be the final victors. Karl Marx, like all other fatalists, was convinced that his idea *must* inevitably be proved to have been right, and yet he was willing to appeal to men to support him freely so that that idea might in fact prevail. The more convinced a man is that something must happen, the more he tries to hasten that happening. The net result—and with that alone Marx was concerned—is that it is more likely to happen.

This same contradiction, which in one form or another is present in every theory of determinism, runs through the whole of Marx's work. His economic theory only makes sense if it is understood as at one and the same time an abstract determinist theory and a method of propaganda inconsistent with that theory, the two together forming a very effective means of hastening the coming of the inevitable.

It is true that in the simplest form of economic organization where a few people agree to co-operate in order to produce

¹ *Communist Manifesto* and *Misère de la Philosophie*.

together the economic wealth of every one, the only method of sharing the products would be by giving to each that amount which represents the same number of hours of work as he himself has worked for the common good. The *laissez-faire* economics of the Utilitarians rested on the presumption that the same would happen in the real world. But in the real world goods do not exchange according to that principle because the raw material of production is limited in amount. It can therefore be monopolized, and the exceptional profits due to this special advantage can be made use of in order to create fresh capital. This capital adds to the advantage of those who own it with the result that they can force those who have no capital to work directly for them and only indirectly for the consumer. Given that a product is wanted at all, it will sell at a price closely related to the cost of production, that is to the cost of the labour necessary to produce it. But the nature of the labour has changed. The working man is no longer the producer, he is in effect a tool of the producer who makes use of his labour power. In this stage of economic organization the great majority of labourers have drifted into a condition where there is no relation between their labour and the returns on their labour measured according to the value of the produce to the ultimate consumer; there is only a relation between their labour and the amount it costs the producer to keep them alive and fitted to do their work. The difference between the two is the 'surplus value' which goes into the pockets of the producer who has the command of capital. This process if allowed to develop unchecked must cause ever greater misery among the people and serious economic instability. For the production of wealth is a social enterprise, and society will not endure production by the many for the consumption of the few. It is as though in the small isolated community a few of the people were to appropriate the produce of the rest in order to exchange it with them for a profit. The latter would have nothing to offer in exchange, and the 'notion of human equality which has already acquired the fixity of a popular prejudice' would make them rebel. Hence in the interest not only of the labourers but of all the community

production under a system of large economic units—collective labour—must be dependent on different conditions from production by individual workers. A new balance between the return for production and the labour of producing must be found. The reward for labour cannot remain fixed by the supply and demand of labour power, it must be decided by the social necessity of that labour in a community organized for the purposes of social production. But this can only take place in a society where the control of the economic organization is in the hands of the State, in the hands, to-day, of a world-State, of 'a community of free individuals, carrying on their work with the means of production in common in which the labour power of all the different individuals is consciously applied as one single labour power'.¹

Stated in this theoretical way, the analysis of the evolution of capitalism is not only plausible: it has been verified in history since Marx's day. But Marx complicates and falsifies it by stating it in terms of action. He was impatient and he wanted the change to come about suddenly, quickly, and by the revolution of the proletariat. The long process of evolution was to be speeded up by the material or brute force of men inspired by a religious enthusiasm founded on the persuasion that they had been deprived of their rights and had to fight in order to regain them. Hence the absurd but telling views that the work of the capitalist entrepreneur has no value, that the organization of exchange adds no value to commodities and that therefore all 'profits' are stolen from the wage-earners. Hence the doctrine of ever increasing misery in spite of the evidence of the facts. Hence the statements of one-sided tendencies preached as though they were the whole story, such as: 'The weapons with which the bourgeoisie overthrew feudalism are now being turned against the bourgeoisie itself. The workers who are forced to sell themselves piecemeal are a commodity like any other article of commerce, and are consequently exposed to all the vicissitudes of competition. Wages are everywhere forced down to the same low level.' Hence the appeal to envy and

¹ *Capital*, I 50. For an excellent account of Marx's economic theories read *Karl Marx's Capital*, by Lindsay, chapters III and IV.

jealousy: 'The proletarian has no property; his relationship to wife and children is utterly different from the family relationships of bourgeois life.' ... 'The expropriators are expropriated.' When Marx writes: 'the workers begin to form coalitions against the bourgeois, closing their ranks in order to maintain wages . . . profiting by the dissensions among the bourgeoisie, it compels legislative recognition of some of the specifically working-class interests',¹ he does not explain that these dissensions are due to the unsatisfactoriness of the system *for both sides*, that capital *for its own sake* has to recognize working-class interests and that in so far as legislation is in working-class interests it is making the revolution the less necessary. Since he was primarily a revolutionary enthusiast, he did not mind spoiling his economics by overstatements and inconsistencies which would serve as excellent propaganda to hasten the evolutionary process. The history of England and Russia illustrate the two half-truths in Marx's view. In England there has been a distinct movement from capitalism to socialism, if we understand by socialism the social reform by which those who produce wealth obtain a share of it proportioned to the work they perform. Wages have risen, they have been to a certain extent regulated, many wage-earners have become small capitalists,² a measure of expropriation has been achieved by high taxation, many industries have come under direct or indirect State control and those who through no fault of their own cannot obtain work have been supported even to the point of endangering the State's credit. This has come about by the synthesis of what Marx called the positive and negative aspects of private property. The synthesis is far from being completed. In Russia, on the contrary, the positive aspect of property was alone posited; the negative aspect could only make itself felt by revolutionary force and in the end, as Marx had prophesied, the old capitalist system was destroyed in a day. England represents the intellectual side of Marx's theory, freed from the

¹ *Communist Manifesto*.

² Mr. Runciman, President of the Board of Trade, in a speech in 1932 stated that small investors' savings had reached the stupendous total of £2,625,000,000.

constant intrusion of the materialist revolutionary propaganda. Russia represents the materialist side freed from the intellectual abstractions of an economic dialectic. Had Marx lived to see the nature of both changes, there is no doubt that he would have preferred the history of Russia. This alone shows which aspect of his thought was to him the more important and sincere. Yet in Russia the revolution came at a very early stage of capitalist industrialization. In an interview which Marx once gave to an American newspaper he declared in answer to the question: 'Do you expect to succeed soon in England?'—

Sooner than in any other country for the reason that labour and capital are already organised upon a co-operative system where the work is done by many skilled hands each doing a part, and where all sorts of labour-saving machines are on the farm and in the factory. Labour is already co-operative. It is only necessary to make the profits mutual by dividing them equally among those engaged in it, instead of giving them all to one man. . . . You would say that if capital is thus assisting progress it must be a good thing—a proposition which I do not altogether deny. I look upon the present state of capital as a stage of development, a necessary stage in human progress, which must naturally develop itself into a higher form of perfection, just as a flower must fall to give way to the fruit, or the blade of green spring before the corn can ripen.¹

Despite this prophecy, England appears to be no nearer the dictatorship of the proletariat, whereas backward Russia is enjoying that dictatorship. This seems to prove that it was not the intellectual superstructure, the inverted Hegelian dialectic, the materialistic interpretation of history, the labour theory of value, about all of which there has been so much controversy, but the basic Marxian conviction that in a material world the strongest force is ultimately the force of the big battalions if only they know how to unite so as to use their strength. The force of the Communist manifesto lay not in its history or economics, but in the final words: 'Let the ruling classes tremble at the prospect of a communist revolution. Proletarians have

¹ Part of an interview given by Marx in August 1871, quoted in *La Russie sous le Régime Communiste*, edited by Fedoroff, pp. 11, 12.

nothing to lose but their chains. They have a world to win. Proletarians of all lands unite!’

But the proletarians did not unite. The history of socialism is one long record of quarrel. Despite the fact that most of the socialist leaders have been inspired with an almost religious fervour for the cause of the proletariat, only one section, the Russian Bolshevik Party, has been able to command agreement about its first principles and on those principles to lead an organized popular movement. The rest agree only in their regard for Marx. Marx has been claimed as leader by those who looked to the gradual and peaceful evolution of socialism by legislative means, by those who looked to the day when the State would become unnecessary owing to the industrial self-government of a hierarchy of autonomous associations or unions working for the prosperity of all, and finally by those who wish the popular State to be the only capitalist, dividing profits equally among all the citizens.

A short account of each of these interpretations must be given.

Peaceful evolutionary socialism is the socialism of the Second International, the policy of the parliamentary socialist parties of Germany, France, and England. It accepts the philosophy of the Liberal State. It is optimistic, intellectual, and still relies on the post-Reformation Christian ethics. It is only Marxian in so far as it accepts Marxian economic theory, freed from its materialist propaganda, and looks to an economic organization in which production will be distributed according to the social necessity of the labour performed and not according to the cash of the richest bidder. It only differs from the liberal representative democracy whose evolution we have studied by its emphasis on the economic problem and its determination to put economic justice before political and even civil liberty. But it is subject to the weakness inherent in the modern State. It cannot reconcile the means necessary for attaining its end with the abstract rights which are supposed to justify that end. It has to impose an economic organization on the people and yet that organization can only satisfy the moral demands of the

people if it springs from the people and is the expression of those demands. As the socialistic State develops, the gap between the individual and the State widens. Over against the individuals associated together for the purpose of living the good life, the life, that is, which springs from a multitude of interests, religious, cultural, moral, economic, recreative, there stands the one external superimposed organization, the State. If the political State in practice tends to be tyrannical, how much more tyrannical would be the economic State! It would mean that all positive legislation would be confined to forcing people to be efficient cogs in a machine for the production of abstract economic welfare. This in turn must weaken the spirit and initiative of the individual more completely than even Mill envisaged in the essay *On Liberty*. 'The method of management of socialized concerns', writes Viscount Snowden, 'will be by the ablest and best qualified men, under the democratic direction of the community.'¹ But in proportion as the economic State becomes more powerful, the citizens will become more and more like cogs, and the democratic direction of the community will become less enlightened and the able men will become rarer. If the utilitarian State necessarily reduces to the compromise of majority decision by which neither utilitarian efficiency nor the guarantee of individual rights are protected, the same compromise will be resorted to in the socialist State and with disastrous results, for the problem of ensuring an economic organization which is both efficient and just is even more difficult to solve. In practice the socialist State must cease to be democratic and that means that it must either cease to exist or it must accept the full implications of Marxian socialism.

It is often argued that the second interpretation of Marx, syndicalism, can provide a half-way house. The difference between orthodox Marxism and the spirit of syndicalism is best illustrated by a letter of Bakunin.

Marx is an authoritarian and centralizing communist. He wants what we want: the complete triumph of economic and social equality, but he wants it in the State and through the State power, through the

¹ Shadwell, *op. cit.*, vol. i, p. xi.

dictatorship of a very strong and, so to say, despotic provisional government, that is, by the negation of liberty. . . . We want the same triumph of economic and social equality through the abolition of the State, and of all that passes by the name of law (which in our view is the permanent negation of human rights). We want the reconstruction of society and the unification of mankind, to be achieved, not from above downwards, by any sort of authority, or by socialist officials, engineers, and other accredited men of learning, but from below upwards, by the free federation of all kinds of workers' associations liberated from the yoke of the State.¹

Bakunin's socialism is evidently a special instance of the social system which we saw at the end of the chapter on Mill attempting to provide a solution to the opposition between individual rights and liberty and the authority of the external arbitrary State. Ever since the Renaissance, the State has remained more or less directly a dead weight pressing on the initiative and spirituality of the individual. With the growth of industrialization, this dead weight has grown the more intolerable because of its inability to direct either efficiently or fairly the economic machine. Society must therefore organize itself from below upwards instead of from above downwards. The General Will is not an empty form, a common denominator, a cancelling out of the differences between particular wills; it is the voluntary organization of all special and common interests in society. Each of these interests should be kept alive and fostered, and each of them should only be subject to a minimum of external control, the kind of control which the policeman on point duty possesses.

Syndicalism is a special form of what has been called functional federalism or political pluralism. Society is a union of self-governing associations, associations of producers, workers, consumers, civil servants, artists, worshippers, &c. The State is reduced to being a kind of clearing-house for the differences of opinion which may arise. It has no initiative, no sovereignty, no personality. It ceases to play the part of positive legislator. All universality is stripped from it. It would be no longer

¹ Quoted in *Karl Marx*, by O. Ruhle, p. 291 of English translation.

necessary to talk of rights as against the State, nor of the rights of the State against the individual or corporation, since rights imply an objective order imposed from without, within which definite relations should be maintained. The State's function is merely to coerce in such a way that the coercion produces a result so valuable that the life of Society would be the poorer for its absence.¹ Unfortunately, it is difficult to see how the State can have any coercive force, however small and limited, without being within those limits universal and sovereign. To harmonize conflicting interests it must judge between them. To do so it must have standards. Whether they be utilitarian, hedonistic, Christian, or socialist, they must, to be effective, be raised, for the time at least, above the plane of controversy. The State cannot be just one other association: it may represent the general will of society or the Christian moral code or mere force, but, if anarchy is to be avoided, its authority must be accepted as the final word for the time being. Furthermore, if society is built up of autonomous associations, harmony between them would be impossible unless they are prepared to abide by a strictly determined constitution, for the defence of which the State would be necessary. According to M. Duguit and to Professor Laski, the State would be reduced to the position of a private citizen, fully responsible for its acts and under the rule of law: 'The only justification for any public act is that its result in public good should be commensurate with the force involved in its exercise: but that, after all, is ultimately a matter for the private judgement of each of us.'² But surely the special function of the State is to decide between 'each of us' when 'each of us' are in disagreement. It is conceivable that the function of the State should be reduced to the interpretation of a common law or spirit, when there exists a common religion and a common tradition. Is this conceivable in an age of 'enlightenment', of private judgement, of revolutionary socialism, of arbitrary and open resort to force

¹ 'What each State-action must show is that the force it entails produces a result so valuable that the life of society would be the poorer for its absence.' H. J. Laski, *Authority in the Modern State*, p. 349.

² Laski, Introduction to Duguit, *Law in the Modern State*, p. xxi

by rich and poor, of scientific moral experiment, of rapidly changing conditions, above all is it conceivable in a society organized, not in terms of individuals who, having universal interests, desire to some extent the universal good, but in terms of associations having only one particular object to attain—that the role of the universal harmonizer should be nothing more than yet another function in a society of units functioning without a body or personality of which they are the functions? As Hegel showed, society must have a ‘form’, a unity. Political pluralism provides none and attempts to do away with the only one that remains in a period of history when both religion and tradition are discredited: the State. We have seen how imperfect the modern State is, but that is not a sufficient reason to do away with it and provide no substitute.

Syndicalism is a form of political pluralism, but, since it is also a form of Marxism, it only envisages associations of workers, trade unions. The overthrow of the bourgeoisie gives it a unity and a creed which political pluralism lacks. These unions are to become hierarchically organized and self-sufficient. Meanwhile the present system is to be overthrown by depriving it whenever possible of the services of the workers. The general strike is the chief weapon, but any means of making production more difficult for the entrepreneur must be used. We saw that the force of Marx’s teaching lay in his conviction that the proletariat must in the end succeed because of its numerical strength. This conviction was idealized by being harnessed by George Sorel to the intuitive and vitalist philosophy of Bergson. Whereas Marx had relied on the then popular faith in materialism, Sorel brought this materialism up to date by teaching that success must come to whomsoever has enough determination and will to release the vital and creative forces in man against the stagnation of vested interests and accepted intellectual and social standards. He had no illusions about intellectual theories, even those of Marx. For him history is largely the result of accident and the future a matter of uncertainty. He saw the past as a series of variations on the eternal theme of rich and poor, of the strongest power maintaining itself under the con-

stant fear of the possible usurpation of a power yet stronger. The shock of an explosion is needed to shake the world out of its lethargy and fear, to infuse into it a new spirit: the shock is to be the revolutionary general strike. No one can tell what will happen after. What has happened in Russia we do know. Despite the complicated hierarchy of congresses built up on local soviets, themselves representing different industrial units, the only effective authority in Russia are the leaders of the comparatively small Bolshevik party. Despite the very real effort which has been made to reverse the Czarist policy of Russianizing all the parts of the immense Russian Empire, to foster national languages, to grant the various nationalities their cultural autonomy, even to found a Jewish community in the Crimea, no one denies that the power of Moscow is as great as that of any 'leader' in a Fascist State who avowedly imposes by force the authority of the State on the regimented people.

But to understand the nature of Russian socialism which, owing to the success of the Russian Revolution, has become the goal of extreme socialists all over the world, we must know something about the peculiar Russian social philosophy during the nineteenth century. Russia has been able to furnish Marxian materialism with a soul. It has made it into a religion, the religion which, it is said, promises to be the real rival of Christianity. How is it possible to explain the enthusiasm, the spirit of self-sacrifice, the endurance of hardship and suffering for the sake of the future generations, the will to work for the common good which are characteristic of Russian communists, who are persuaded that man is no more than a complex machine, that there is no hereafter, that there is no God? How have the materialist Russians discovered a faith at once personal and yet social which has for them filled the want which has grown more obvious as Western civilization has advanced?

Ever since the days of Peter the Great, Russia has been flooded with Western ideas, but it has never succeeded in assimilating them. Literature, science, philosophy, even the technique of political administration have been superimposed on a people spiritually more akin to the pre-Reformation European Christian

than to the modern half-believer. In the first half of the nineteenth century especially, the intellectual class of Russia was profoundly affected by German philosophy. Alexander Herzen, one of the precursors of Nihilism, was enamoured of the West. He himself had suffered at the hands of the autocracy; under the influence of the Hegelians of the left and of Feuerbach, he became a firm socialist. Later Herzen became disillusioned both with regard to the West and to extreme socialism, but from the beginning his Hegelian socialism was of a pessimistic and fatalistic kind. After describing the wonders of the socialistic régime, he ends with these sad phrases:

Socialism will develop in all its phases, to its last consequence, to absurdity. Then once more the cry of negation will come from the titanic breast of the revolutionary minority; once more a mortal combat will begin, a combat in which a new socialism will take the place of the reigning conservatism, and will then be vanquished by a revolution unknown to us. The eternal play of life, cruel as death, inevitable as birth, constitutes the ebb and flow of history, the *perpetuum mobile* of life.¹

An even more profound disillusionment was the experience of another precursor of Nihilism, Belinsky. He had lost his faith in Christianity, and with that loss went everything. He did not, like Marx, look to a proletarian victory; instead he suffered from an orgy of compassion and pity, he revolted against the suffering and misery of the world which now had no meaning for him. He was willing to go to any limit in order to lessen it, even to the limit of cutting off the heads of a large section of mankind. This attitude is typical of the really religious soul which has lost its faith in God. The Western mind lost its religion before it lost its Christianity; the opposite was the case with the Russian. Hence that suffering which is exalted and spiritualized in the doctrine of the Cross becomes a veritable stumbling block. The naturally Christian spirit which has lost its faith in the truth of Christianity is the true rebel against God and the wretched world which He has created. When he comes to believe that the spiritual meaning of the world is a delusion, all he sees is

¹ Quoted by Arnaudo, *Le Nihilisme et les Nihilistes*, p. 41.

the injustice, misery, suffering, hopelessness of human life. One reaction to this mood is an insane desire to pull the world to pieces and to build it up again. He is prepared to pay the highest price in human suffering and human life in order to achieve his ideal.

For 'Marat's love of mankind' is always like that. It begins by protesting against the 'universal' that oppresses and tortures personality, and ends up by proclaiming a new 'universal' love of humanity; not, however, the love of living human persons, but love of the *idea* of humanity; love of something 'far off', the abstract idea of justice and a perfect social order. . . . Compassion turns into cruelty, freedom into compulsion and violence; defence of personality against the tyranny of society leads to extreme social despotism.¹

After the teaching of Hegel, Russia imbibed the teaching of Schopenhauer. His opinion that the world is the worst of all possible worlds, that evil is the same as existence, suited the disillusioned and persecuted Russian minds. They were torn between their deeply religious nature, their newly learned philosophy and science, and the crude half-civilized social régime in the midst of which they lived. Even Alexander II's emancipation of the serfs, great reform as it was, only served to illustrate the glaring contrast between real reform and the extravagant ideas of the intellectual leaders. In the course of the Nihilistic movement of the sixties all kinds of far-fetched views were in fashion: renouncement of procreation, free-love, 'the modern young woman', extreme asceticism—all the fancies, in fact, of spiritual souls who have lost their hold on the nature of reality. Dostoievsky, whose sensitive mind never recovered from the terrible strain of having been condemned to death for a political offence and having been made to go to the place of execution, even though a reprieve had been granted earlier, in order to give the authorities the pleasure of watching him enduring the agony of waiting for immediate death, understood, though he did not sympathize with, this movement. He makes one of his disciples say in *The Possessed*:

Down with instruction and science; we have had enough of it for

¹ Berdyaev, *The Russian Revolution*, p. 15.

a thousand years. The thirst for study is an aristocratic thirst. Study, like the family and love, engenders the desire for property. We must extirpate that desire; we must develop drunkenness, cancan dances, a corruption at present unimagined; we must strangle the geniuses in their cradle. All this in order to reach complete equality. But we need further convulsions; that is our business, we leaders of the movement. We require obedience and complete impersonality. When every thirty years Scigalef gives the signal for convulsions, every one must prepare to devour his neighbour; but only up to a certain point, only in order to avoid boredom, for boredom is an aristocratic sensation.¹

We can understand how the intellectual Russian of the nineteenth century, embracing with enthusiasm alien Western social ideals, resembled the 'reformed' Christian of the sixteenth, but whereas the latter had three hundred years during which to drift from religious enthusiasm to materialism and behaviourism and the same time to build up a liberal and humanitarian civilization, the former had barely half a century. Intellectual and social movements progress far more rapidly now than they did three hundred years ago. Meanwhile the established order made few concessions to the four classes who in one way or another were influenced by Western ideas, the bourgeoisie, the peasants, the workers, and the oppressed races within the Empire. In the West both the political and social orders were sufficiently enlightened and pliable to absorb with little fuss part of the teaching of Marx, but in Russia there was no outlet and no hope. In every social movement it is always the extremists who show most religious fervour, but in general the great weight of 'capitalized' common sense which supports the moderates counterbalances this fervour. In Russia, on the contrary, the Tzarist autocracy had to look to the old religion rather than to common sense for support. It was only to be expected that the clash would come between the old religion and a new extremism which commanded a greater degree of religious fervour. The internal anarchy caused by the Great War and the masterful genius of Lenin gave the extremists a victory far easier than

¹ Arnaudo, *op. cit.*, p. 204.

they could have anticipated. Thus the prophecy of Marx was fulfilled. The proletariat became dictator. But the reason was not that 'the flower must fall to give way to the fruit', but that a small number of determined men, determined to force their own Marxian tenets on their puzzled compatriots, were able to take advantage of a unique opportunity in order to harness the spiritual power of the middle-class youth of Russia. The descendants of those who had suffered apparently in vain and wantonly, of those who had sought release in the extravagances common to religious spirits who have lost the true and real foundations of religion, embraced Marxian materialism now that it was victorious with an equal religious enthusiasm.

Communism made a natural selection of a particular kind of soul-structure. The young men came straight into life with a new mentality. They had a psychology of the victorious, a psychology of the members of one class that have conquered those of another, which reminds one of the attitude of races and nations that have conquered other races and nations. . . . The dominant part in it (the revolution) was played by those who had been offended and oppressed and the resentment that characterized them took on new forms. The type of avenger comes in. Atheism becomes an atheism of revenge, it persecutes religion, closes churches, oppresses the clergy.¹

The only way to understand the Bolshevik philosophy is to dissociate it entirely from the optimistic liberalism and the evolutionary socialism of western Europe from which it is historically descended. Its positive ideal is, to be sure, the construction of a new society in which the happiness of man is to be attained by an intense and well-ordered cultivation of such values as spring from the senses and from economic intercourse, but the bleakness and essential pessimism of this ideal is disguised by the burning desire to destroy every vested interest, whether religious, political, moral, or economic, of the capitalist régime under which the pre-revolution generation grew up. The apparent puzzle which perplexes the Christian, the puzzle as to how men who have no belief in personal survival after death can work enthusiastically for a future happy society of

¹ Berdyaev, *op. cit.*, p. 33.

which they can never be members, ceases to be a puzzle when we remember that the very work of destruction can veil the hollowness of the ideal. Unlike the pre-Marxian socialists, the Bolsheviks have never been able to formulate clearly the nature of the ideal State for which they are working. The policy of the leaders has in effect been a veritable opportunism dictated by immediate needs and the demands of the work of destroying all traces of the old order. 'War-Communism' was succeeded by the 'New Economic Policy' which in turn gave way to the tremendous effort to create within a short period a gigantic national industrial unit. These have all been experiments in destroying the old and 'feeling for' a new order. Through them all the same enthusiastic spirit of a youth, which bases its hopes on the difference between the present and the past, endures. The strong will of dictatorial leaders who can both command the support of this youth and coerce the remainder of the population has undoubtedly achieved social reforms probably unattainable had the rule of the Tzars endured. How impressive these reforms are may be realized by a short passage in Mr. Hindus's work, *Red Bread*, in which he describes the change that had come over his native village between 1924 and 1929:

Five years ago and now—what a stupendous revolution. A school-house, a nursery, a fire station, handkerchiefs, boots, perfumes, powder, and the oncoming *kolhoz* (collective farm) with its roaring machines and its momentous changes in the relationship between man and man, man and woman, man and society, man and nature, and above all, man and God.

But granting all the claims which the Bolsheviks make, granting that the face of Russia is being changed and that even the peasants are willing partners in this industrial and agricultural revolution, the question, 'To what is it all leading?' will have to be faced sooner or later by the Bolshevik party itself. We are now in a position to understand the reason why the earlier Utopian ideals of a free communal State in which every individual will have a chance of self-development and earthly happiness have receded in the background. Russian Bolshevism

is the lineal descendant of the crudest form of materialistic Marxism. And this form of Marxism is a mere statement that the strongest and most numerous class in the population, if properly led, *must* in the end succeed. But Marx was never clear about what was to happen when the proletariat had succeeded, for the simple reason that all real values, all idealism, all the beliefs on which rests any genuine optimism about the future, had been carefully removed from his philosophical presuppositions in order to make the successful issue of the proletarian class war seem plausible. Having removed them in order to ensure the victory of brute force, they cannot be reintroduced in order to give substance to that victory. As the Bolshevik experiment develops, so does the government's task grow heavier and the demands on its authority greater. Instead of a communal Utopia in which social organization and public spirit are so good that the individual can become a little republic to himself, Russia is becoming one political, social, and industrial factory with but one working intellect and a vast bureaucratic system to convey the will of that intellect to the working cells. In the words of Mr. Hindus:

Always an anarchist, hating government as something evil and sinister, the peasant is now slowly acquiring a new appreciation of the meaning of political processes. In the old days he could dismiss government with contempt, slink away into his sequestered lair and be lost to the world. He cannot do so now. Government is everywhere. . . . All these contacts with government are inculcating in him a fresh appreciation of its uses and functions. They are making him politically minded and are increasing his demands on government.

There is no better sign of the poverty of political and moral ideals in a people than such a wholesale reference of every question to bureaucratic authority. In a case when that authority explicitly denies the very existence of the supernatural, whence is it to derive the ideals and standards by which to guide the people? In Russia we can now watch the curious phenomenon that in the end the Bolshevik leaders have been forced to seek their ideals in that very bourgeois philosophy to destroy which

they have toiled so long and endured so much. Only it is the bourgeois philosophy shorn of that humanist and Christian tradition which has hidden its underlying crudity. 'We must catch up with America and outstrip her' is the slogan characteristic of this point of view; 'Russia is to be economically the most advanced country in the world.'¹ The Bolshevik ideal is power, but power without even the appearance of responsibility; it is economic efficiency, but without any appreciation of the good life which demands some degree of economic efficiency; it is happiness, but a happiness which consists in a soul-stultifying pleasure, far more of an opiate than any religion; it is freedom, but a freedom only to break up any natural unities, such as religion or the family, which can compete with the authority of the State. If we remove from the social philosophy of the modern Western world the insistence that power, wealth, efficiency, order, liberty should be regarded as means to give every individual the chance to make his earthly existence something unique and eternally fruitful to himself and to others, we shall be left with a social ideal which only differs in detail from the ideal of the Bolshevik party in Russia. The difference between the two will reduce to handing all power openly to a few self-constituted political leaders or handing it in various disguised ways to those whom the hazards of an unregulated economic system have made rich. In neither case will the toils and hardships of the majority, at present grudgingly endured in the West, and at present enthusiastically embraced in Russia, be worth while. Sooner or later the Russian peasant as well as the European working-man will have to ask the question which the old priest, a philosophic witness of the great changes in Russia, asked Mr. Hindus: 'What are the earth and sky and stars and trees and grass and you and I and Lenin and Stalin and America and everything, what is the purpose of it all?'

The strength of Marx lay in his bold acceptance of crude materialism and in his concentration on the problem of industry

¹ *Bolshevism Theory and Practice*: Waldemar Gurian. The reader who requires an objective, impartial, and complete study of the facts and theory of Bolshevism cannot do better than consult this book, which has been translated by E. I. Watkin.

and economic organization. At the time no one else had the courage to admit that not only the callous scramble after wealth but even the trend of impersonal scientific utilitarian legislation, with its ideals of comfortable efficiency for the middle classes, were irreconcilable with such Christian principles as had survived the Enlightenment, with, that is, the sacredness and uniqueness of the human soul and the fundamental goodness of the world which God had created. But when Marx 'scrapped' Christianity he made clear to the capitalist world how greatly they depended on 'bourgeois' morality, itself the shadow of Christian morality. Take away respect for authority, the belief that profits are the natural reward for enterprise and hard work, the Divine sanction for differences between classes, the sacredness of promises, the nobility of the national cause, the reward of the just but unsuccessful and the punishment of the unjust but successful in a better world, and the social question becomes but a bitter fight for power and money with inevitable victory for the properly led masses. But even so the masses need to be led and to be disciplined for their own advantage. Marx found it necessary to rouse them by appeals which implied their freedom and the moral justice of their cause. Justice came to mean for him whatever is for the advantage of the proletariat, injustice whatever is for the advantage of the bourgeoisie. The motive for the fight had to be a future golden age for which there was no warrant in the principles of his materialism. These propagandist helps were not sufficient. Christian and bourgeois morality were too strong, vested interests too firmly entrenched. At the first breath of national danger, for example, internationalists crumbled to pieces. Man remained too complicated in his nature for the simple and direct creed of Marxism. It was only in Russia that a suffering and religious people, already trained by a philosophy of pessimism and self-abnegation and, as yet, without any real knowledge of the character of Western culture and civilization, could take advantage of a great opportunity and make the mere destruction of the past into a positive religious creed. With complete consistency all that was bourgeois was trampled out. The only moral standard they

would accept was the morality of force. But as the Bolshevik régime became established and something had to be done in order to build the new proletarian Russia, the resemblance between Bolshevik social organization and Western social organization was revealed. In both there is the same search for power by those who are in a position to obtain it, the same ideal of comfortable efficiency set before the masses, the same disregard for the human personality as an end in itself, the same dead weight of authority pressing ever more heavily on body and soul, the same worship of mechanism, the same mistaken belief in the possibilities of education. The only difference is that in Russia these ideals are accepted openly and without shame; in the West they are hidden by the superficial Christianity that remains. The vital question is how far does genuine conviction about the ultimate truths, which alone gives Christian ethics its permanent value, still underlie this superficial Christian habit of mind?¹

In the Middle Ages, this conviction existed. It expressed itself in a great and deep social philosophy, but by itself it was unable to build up the material conditions necessary for its application. Ever since, the Western world has been engaged in making society into a more effective and pliable instrument for the expression of a social ideal. But the task has required all its energy. The Christian social ideal which embraced God, nature, and man in all his many-sidedness and complexity, dwindled to a narrow and shallow insistence on individual abstract, and often selfish, rights. What these rights involved in practice no man could say, since no one could agree about a moral and social order of which any rights are but an aspect.

¹ In the Fascist and Nazi movements which have assumed such importance since these pages were written (1931) there is a factor of religious idealism which helps to explain their success and brings them nearer than Marxism to a solution of the great problem of how to reconcile the authority of the State with the spiritual and moral autonomy of the individual; they, like Marxism, are the products of special and exceptional historical events. In their violent reaction against the long disintegration of political thought in the West they are in danger of throwing aside also the ethical and religious tradition that has been embedded in that thought. Should they do so, their ultimate outcome can differ only superficially from economic Marxism or economic Capitalism.

While the modern epistemologists were busy endeavouring to refute the scholastic doctrine of essences, according to which the qualities of a substance are analysed out of its essence, the social theorists were packing into certain abstract rights the whole content of the law or system of nature. Locke himself who wrote of natural substances: 'Put a piece of gold anywhere by itself, separate from the reach and influence of all other bodies, it will immediately lose all colour and weight, and perhaps malleableness too: which, for aught I know, would be changed into a perfect friability. Water, in which to us fluidity is an essential quality, left to itself, would cease to be fluid',¹ analysed all *moral* relations out of a few innate rights which were once enjoyed in an imagined state of nature. Naturally, as society became better organized, the demands made by the organization pressed ever more heavily on these surviving rights while the efficiency of the organization itself, instead of making the world into a fit place for the expression of a social ideal, became itself the social ideal. Rousseau and Hegel attempted to restore the philosophy of natural rights by fitting them into the historical evolution of social forces which were ultimately conceived to be the expression of an immanent Spirit, transcending both individual and society. But Hegel gave no convincing proof of the objectivity of the Spirit, so that his social philosophy disintegrated into various personal interpretations of his purely human ideals, of which efficiency was one. There may be something pleasant about efficiency but there is nothing moral or religious about it. Yet the long struggle to assert human rights and to harmonize these moral demands with the needs of order and efficiency and to assert them against the vested and selfish interests of authority is in itself proof enough of the moral and religious nature of Western man.

The solution, therefore, of the social problem cannot be either Bolshevik avowed materialism or Western disguised materialism on the one hand, nor a continued protest on behalf of undefined abstract rights on the other. These rights must once again become one expression of a wider social ideal which can make

¹ *Human Understanding*, IV. vi. 2.

use of modern social organization in order to give to each human soul the chance of developing the potentialities of his human nature, religious, moral, intellectual, and animal, while living with and learning from his fellow human beings. What these potentialities are, the Western world has learnt from the humanist tradition of the Greeks and from the religion founded by Christ. Christianity has at once retained what was best in the humanist tradition and given it a form which can be understood by the many who are not wise enough to appreciate Platonic wisdom. This form is divine revelation and the clear tradition of the Church's teaching. If the great majority of those who compose Western society become persuaded that this form is but an illusion, they must be prepared to face the fact that the rights which they have so long maintained against arbitrary authority, whether in support of vested interest or in support of economic efficiency, whether unashamed, as in Russia, or disguised, as in the West, may also be an illusion.

PART IV
A STUDY OF THE MODERN STATE

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LAW AND POLICE

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BIBLIOGRAPHICAL NOTE

The references to text-books, cases, and statutes, &c., in this chapter are not, of course, intended to be in any way exhaustive, but are included either by way of example, or because, in the case of modern text-books especially, they will provide lay readers with more complete accounts which do not require technical legal training to understand.

IN order to understand the law and police of this country and its development during the last four centuries something must be known of the courts by which the law was administered. It is not possible here to go into much detail on this point; for the organization of the courts was a matter of great and growing complexity as regards the central courts whose successors, the Supreme Court of Justice, the Judicial Committee of the Privy Council, and the House of Lords, still dominate our legal system, whilst the history of the local courts is a tale of varying and divergent development and, in general, decline during the first three centuries of our period, followed by a period of great reorganization and reform in the nineteenth and twentieth centuries.¹ What those courts were, and the broad principles of their relationship, however, must be known, or we shall understand little of the law they administered.

It is therefore proposed to give a short account of the chief courts of England from the sixteenth century to the present day. In doing so we shall at times have to make mention of broad constitutional problems, for jurisdiction, administrative discretion, and judicial control have always, for lawyers, been the great constitutional issues, and, at the same time, legal and police development has been marked by a constant struggle between the lawyer, desirous of strict rules and complete freedom within those rules, and the administrator, desiring greater freedom of action in the interests of efficiency, and his views of justice in

¹ For details see generally Holdsworth's *History of English Law*, especially vol. i, and the Webbs's *Local Government*. See also Captain W. L. Melville Lee's *History of Police*.

particular cases.¹ These questions have mainly arisen from conflicts between the central judicial and administrative authorities, but we must give first a brief account of the network of local courts which during our period was spread over the country.

During the greater part of our period these courts were in a state of decline. For the most part they were medieval survivals, archaic in procedure, incapable, in most cases, of adaptation to changing needs, and opposed to the unifying forces which predominated in the ages of growing State consciousness and nationalism. One exception stands out.

The institution of justices of the peace does not decline until the nineteenth century; and this was for three reasons. In the first place, Justices of the Peace are comparatively modern, a creation of royal and parliamentary authority, not a feudal or local survival, but closely in touch with the central government. Secondly, they were amateurs and so free from the jealousy alike of lawyers and the public; this is not true of the 'trading justices' of the seventeenth and eighteenth centuries, but they formed a strong and evil exception. Thirdly, the class from which they were recruited although, especially in the country, in close personal contact with, and sharing the feelings of, the mass of their fellow subjects in a way no official could be or do, was properly imbued with that deep sense of the sanctity of the rights of Englishmen, especially proprietary rights, which was the strongest feeling in the seventeenth- and eighteenth-century law.

But let us dispose of the older institutions. The first of these are the old County Courts. In the Middle Ages these had been

¹ For clear expositions of the opposing views in this controversy in its modern form see Hewart, *The New Despotism*, C. K. Allen, *Bureaucracy Triumphant*, and, on the administrative side, Robson, *Justice and Administrative Law*, and F. J. Port, *Administrative Law*. The main issue is the 'constitutional' problem of independent judicial control of State officials, and how it can be combined with efficient and flexible administration. See also Prof. A. L. Goodhart, 'Law and the State', *L.Q.R.* xlvii. 118. E. C. S. Wade, 'Consultation of the Judiciary by the Executive', *L.Q.R.* xlvi. 167, replied to by Prof. C. K. Allen *L.Q.R.* xlvii. 43 and answered by Mr. E. C. S. Wade at p. 58 of same number. E. C. S. Wade, 'Constitutional Law', *L.Q.R.* li. 235. W. Ivor Jennings, 'Local Government Law', *L.Q.R.* li. 180, and the Report of the Committee on Ministers' Powers, Cmd. 4060.

the basis of all governments, the main organization of the country and connecting link between the Crown and the people.¹ By our period their importance had dwindled until they had become courts for small matters, and of little importance except as the bodies from which the county members of Parliament were chosen. As Sir William Holdsworth says: 'By the end of the Medieval period all litigation of the county, large and small, was being attracted to the central courts of law and equity', and before the end of the eighteenth century the want of efficient local courts in which small cases could be quickly and cheaply tried was keenly felt. It was not until the middle of the nineteenth century that the want was supplied by the creation of the new 'County Courts'.²

However, in criminal and police affairs the evil had never been so pronounced. The Justices of the Peace and the Assizes, through the Commissioners of Oyer and Terminer and Gaol Delivery, provided some elements of local justice, although it must be admitted that they were very inadequate. Moreover, the old County Courts' decline belonged chiefly to the preceding period. The Assize of Clarendon had deprived them of jurisdiction in cases of robbery, murder, and theft, and the Assize of Northampton, of forgery, treason, and arson.³ Magna Carta⁴ by sec. 24 had removed all pleas of the Crown from the county, and according to Bracton,⁵ f. 154, no pleas involving

¹ Even for levying rates and taxes, but it was doubtful if they could by their votes bind dissentient minorities, which was one main reason for the rise of Parliament. See Stubbs, c. 17, II. 232-5, Y. B. 11-12 Edw. III (R.S.), 636. For their work and organization in the Middle Ages, especially see Melville Lee, *op. cit.*, chs 1 and ii, and ch. iii for their supersession by the Justices of the Peace.

² Holdsworth, *H.E.L.* vol. i, bk. 1, p. 65 et seq. These courts being confined to civil justice do not concern us. Their powers have been constantly increased. Seventeenth- and eighteenth-century Courts of Requests had also done something to mitigate the evil, and foreshadowed the new county courts. The new courts are now governed by 24 & 25 Geo. V, c. 51.

³ Stubbs, *S.C.* 150 and 163.

⁴ See Mackenzie's edition, pp. 304, 309, and 311.

⁵ Bracton, ed. Woodbine, fol. 154, pp. 436-7; Co. 2nd *Inst.* 311-12; Co. 2nd *Inst.* 266; Britt. 1. 555; P. & M. 1. 540-1, Bl. 3 *Com.* 35-9. It must be remembered that in the Middle Ages every lord might have his 'peace' as well as the king and including the sheriff, so that it was impossible for sheriffs even in Bracton's time to try violent criminal offences 'nisi querens adiciat de pace domini regis infracta vel feloniam apponat'. Bracton, *loc. cit.*

an allegation of a breach of the king's peace could, in consequence, be tried by them. Consequently the criminal jurisdiction of the County Courts was, by the beginning of our period, practically limited to those petty offences which were tried in the Sheriff's Tourn.¹ Their civil jurisdiction had suffered in the same way from the time of Henry II, as disputes over freehold had been practically confined to the royal courts, and this was the most important civil justice. Moreover, by a judicial perversion of the Statute of Gloucester² they could only try cases for less than 40s. and were limited to the archaic writs of debt, detinue, and covenant,³ except for trespass in cases not involving *vi et armis* or land, which afforded little attraction to the litigant. Moreover, the Common Pleas could remove any civil case from them by pone, and as this meant fees, did so at the least excuse. Again, in the Middle Ages the County Court had heard appeals from the smaller local courts of the hundred and vill, but the Statute of Marlborough⁴ had put an end to this.⁵ However, special commissions, especially the Writ of Justices, which gave the Sheriff the jurisdiction, to a large extent, of a royal Justice of Assize, could, and especially in the case of Chester did, vastly extend their jurisdiction and kept them, in some cases, a living force. But, as all this time the County Court was liable to be controlled and checked if it exceeded its jurisdiction or committed an error, by the Writs of Prohibition, Certiorari, and Mandamus, and False Judgement,⁶ its decisions were never final. Of these the first three are 'Prerogative Writs' of enormous importance in securing the supremacy of the Central Courts, and the latter was based on the medieval conception that an erroneous decision was a wrong. Moreover, new remedies were constantly deve-

¹ Holdsworth, vol. i, bk. 1, p. 72, *passim*.

² Holdsworth, loc. cit.

³ Holdsworth, vol. i, bk. 1, p. 72. In the first two of these the defendant had by the 5th century to swear he was not liable in order to escape. For the difficulties of others see Fitz-Herbert, *Natura Brevium*, for the actual writs. For this old method of proof by oath see P. & M. vol. ii, ch. ix, sec. 4.

⁴ 1268. 52 Hen. III, c. 19

⁵ See Holdsworth, vol. i, bk. 1, pp. 74-7. It must be remembered that the medieval conception of an appeal was that it was a complaint that justice had been denied or abused, not a real re-hearing before a superior court of the legal arguments, as now.

⁶ Holdsworth, vol. i, bk. 1, p. 74, *passim* and *infra*.

loped by the superior courts whilst the County Courts could not develop anything new, so that the doom of the latter was sealed by the beginning of the sixteenth century if not before—as well as that of the market courts of pie powder, &c., which do not concern us.

Yet in view of the lack of any sufficient provision for local justice, it is not surprising that in the fifteenth and sixteenth centuries attempts were made to revive these ancient courts. A Statute of Henry VII¹ endeavoured to put an end to abuses in the way of delay and petty exactions by their officials by means of cases which it was never intended to pursue, an abuse which continued even in the eighteenth century.² Again in 1601³ an attempt was made to secure them some jurisdiction by depriving plaintiffs at Westminster of their costs if they failed to recover more than 40s.⁴ and fining those £10 who brought actions at Westminster claiming less than 40s., and in several places Courts of Request were created in the seventeenth and eighteenth centuries. This attempt was frustrated by the jealousy and thirst for fees of the courts at Westminster. Numerous fictions by which nominally larger sums, or causes of actions not triable in the County Courts, could be united to small claims, and so bring them to be tried at Westminster, were invented,⁵ and during our period the old County Courts were dead or dying, though they still retained sufficient formal business for it to be found desirable in 1887⁶ to enact that they should not be summoned unless they had actual business. To this day they are properly the courts in which damages for elegit, the writ by which a debtor's land can be taken to pay his creditors, are assessed,⁷ and in which outlawry, if such a thing could be known, would have to take place.

¹ 2 Hen. VII, c. 15.

² See Webb, *Local Government, Parish and County*, 291 v, cited Holdsworth, vol. 1, bk. i, p. 74.

³ 43 Eliz. c. 6.

⁴ Similar provisions depriving plaintiffs of part of their costs have been made to secure that actions for amounts which could be brought more cheaply in the new County Court shall not be brought in the High Court.

⁵ See Bl. 3 Com 82 for the 'orthodox' eighteenth-century view of these courts, and Holdsworth, vol. 1, p. 190, for their history.

⁶ 50 & 51 Vict. c. 55, ss. 18. 1.

⁷ 50 & 51 Vict. c. 55, ss. 18. 1 and 2. Halsbury, *Laws of England*, xxv, 807-9.

Moreover, the sheriff declined as well as his court,¹ for the sheriff was not only the presiding official of the County Court: he was in medieval times the chief local executive officer, the representative of the Crown,² and, to some extent, he retains this character to this day. As Maitland said, 'the whole history of English justice and police might be brought under this rubric "the Decline of the Sheriff"'.³ By the commencement of our period this decline had gone a long way, and was completed during it; thus in the reign of Mary⁴ he lost control of the military forces of the county, being superseded by the Lord-Lieutenant. So that even in the administration and enforcement of the criminal law his powers had been curtailed. In fact his dominant had been destroyed by the General Eyre of Henry II which had subordinated him to the Itinerant Justices, whose inquiries went searchingly into his enforcement of the law, and although the later Justices of Assizes did not enjoy such wide commissions they continued to control the sheriff. It is true he is still bound to raise the posse comitatus,⁵ i.e. full power of the shire for the pursuit of felons, and until the nineteenth century could arrest and commit suspects,⁶ as well as those caught *flagrante delicto*, but his powers and duties decreased rapidly. His duty to arrest felons and other criminals passed, in practice, largely to the Justices of the Peace, and in 1553 Parliament forbade sheriffs to be Justices of the Peace at a time when those officials were becoming the keystone of local government.

¹ It must always be remembered that in the Saxon court it is the suitors, not the lord or presiding officials, who are judges. It is only in the post-Norman Conquest royal courts that the official becomes judge and the rest are only present to give information, to accuse, or to be tried. P. & M. 1. 548 et seq.

² See Maitland, *The Norman Sheriff*, Round, *Geoffrey de Mandeville*, for the heights to which sheriffs could attain in earlier times.

³ See Maitland, *Justice and Police*, p. 69; Holdsworth, vol. 1, bk. 1, p. 66.

⁴ Stat. 1 Mary, st. 2, c. 12, 1 Eliz. c. 16. Holdsworth, vol. IV, bk. IV, p. 11, c. 1, p. 76, *passim*. The office of Lord-Lieutenant was first created temporarily by Henry VIII, and only gradually developed as the chief local authority for the militia. Other duties of a police character were imposed on it at first.

⁵ Sheriffs' Act, 50 & 51 Vict. c. 55, s. 8.

⁶ Bl. 1 Com. 332. For loss of power see Maitland, *Justice and Police*, loc. cit., and *Constitutional History*, p. 204 et seq.; 10 Geo. IV, c. 44, 2 & 3 Vict. c. 95, 22 & 23 Vict. c. 23, ss. 18.

The truth is that in their origin the sheriffs had been too great to last. Down to Henry II they might be described as being Lord Chief Justice, Commissioner for Taxes and Land Revenues, Commander-in-Chief, Chief Constable, and Secretary of State for All Affairs in their counties. Such an office was too powerful and too dangerous. Constant attempts were made in the Middle Ages to 'capture' the office, to make it hereditary or to make it elective.¹ The office became a terror to the people and a nuisance to the Crown, and gave place later to creations which, being specialized, were more effective and less dangerous.

So from Henry II onward the King, and Parliament (when it came into existence), united to diminish the sheriff's power.² The creation of coroners provided an effective check on his records and a new official to inquire into local 'Pleas of the Crown'. Rules governing the choice of sheriffs secured his comparative unimportance. In 1315³ Parliament confided the choice of sheriff to the Chancellor, Barons of the Exchequer, and Justices, a rule which by the fifteenth century had developed into the custom of presenting three names to the King on the morrow of St. Martin,⁴ a custom continued to this day, though the choice actually depends on the recommendation of the Lord-Lieutenant to the Justices of Assize.⁵ Later the Statute of Lincoln⁶ made it necessary for the sheriff to have land in the county, in order that he might answer to the King and the people of the county for his conduct and that of his subordinates.⁷

More important, in 1340 his office was made annual⁸ and in

¹ See Round, *Geoffrey de Mandeville*, for an account of the most enterprising scoundrel who ever held the office.

² Coroners first created 1194. See Maitland, p. 43 and p. 206 et seq., but Justices of the Peace were the Sheriff's main rivals for police business. In 1494 Justices of the Peace were even allowed to hear complaints against sheriffs and their servants. 11 Hen. VII, c. 15. See generally Holdsworth, vol. 1, ch. 11, pp. 63-86.

³ In 1300 they were made elective, but this did not last.

⁴ See Fortescue, *De Laudibus*, c. 24, for an early description of this.

⁵ Webb, *Local Government, Parish and County*, p. 288, vol. i Bl. 1 Com. 329-39.

⁶ Stat. of Lincoln, 9 Edw. II, st. 2.

⁷ *R. v. Larwood*, 1694, 1. Lord Raym. p. 29

⁸ 1340. 14 Edw. III, st. 1, c. 7. For further medieval restrictions see for example 23 Hen. VI, c. 9, *E.H.R.* xxxiii. 76. The Rolls of Parliament are full of petitions regarding the misdeeds or 'insufficiency' of sheriffs, in particular or general.

1377¹ it was enacted that a period of three years must elapse before re-election could take place. It is not surprising to find that in the seventeenth century his duties were usually executed by deputies, who, although by Statutes of Edward III² and Henry VI³ they were to be appointed annually, were free to be appointed more than once. But the office retained some importance. It was compulsory and unpaid, and therefore could be used, as Wentworth and his friends found in 1628, as a means of suppressing political opponents of the King. Moreover, in the seventeenth century it might, in vigorous hands, still be an important instrument of government and for teaching its holders the real conditions. For the sheriff was the official who enforced the orders of the central courts, whence come his present duties as returning officer at county elections, and his duties as the executive of the courts in the county were constantly increased.⁴ Thus it was enacted by Parliament⁵ that he should appoint deputies to attend the courts of Common Law and receive their instructions. This duty, of carrying out the orders of the Common Law courts, and of attending on judges on circuit and providing for their lodging, became by the time of Fortescue⁶ his principal function, and to this day he retains these duties, although the enforcement of writs⁷ is performed by deputy; moreover, until the nineteenth century he was responsible for the prisons, which were, however, usually neglected.⁸ The last survival of this is his responsibility for those condemned to death.

In general therefore during our period the sheriff was nominally the chief executive officer of the law and police in his county, but shorn of most of his ancient powers and exercising

¹ 1 Rich. II, c. 11, re-enacted 50 & 51 Vict. c. 55, ss. 3-6.

² 42 Edw. III, c. 9.

³ 23 Hen. VI, c. 8.

⁴ For the present duties and tasks of sheriffs and their courts in detail see Mathew on *Sheriff and Execution Law*, ed. C. R. Wigan, 1935.

⁵ 13 Edw. I, st. 1, c. 39; 2 Edw. III, c. 5; 23 Hen. VI, c. 9, ss. 10; 29 Eliz. c. 4; 3 Geo. I, c. 15.

⁶ *De Laudibus*, c. 24.

⁷ Except those of new County Courts, whose orders are enforced by the high bailiff. 50 & 51 Vict. c. 55, ss. 10, 11, 14-16.

⁸ For early legislation on these prisons, see 3 Edw. I, c. 15; 14 Edw. III, st. 1, c. 10; 19 Hen. VII, c. 10.

those which remained chiefly through deputies, but nominally the chief person in the county after the Lord-Lieutenant.

Below the County Courts in the Middle Ages had existed a network of special 'franchises' and Hundred Courts, the former consisting of feudal courts dependent upon actual or presumed royal grants, and the latter being local communal survivals from Saxon times, but frequently overlapping in area although distinct in principle. Thus a franchise might be part of an hundred or contain an hundred or even several. It might be a single manor or a whole borough,¹ all depended on particular grants by the Crown, but by our period, except for boroughs, these were of little importance.

Private franchises had been from the time of Edward I cut down by Quo Warranto,² and the necessity of claiming them at each eyre and by the jealousy of the higher courts. So we may say that with some exceptions³ franchises and hundreds were practically moribund except for one purpose. Yet the hundreds were the medieval police units, on which the collective responsibility, which was the only strength of medieval police, was based. They were responsible for the murdrum fine⁴ and for thieves⁵ until the nineteenth century,⁶ when they became liable for riots instead, which liability was not transferred to the police rates until 1885.⁷ But by the sixteenth century they were passing away. The parish, controlled by the Justices of the Peace, really took their place.⁸

¹ See Maitland, *Doomsday Book and Beyond*, for the early meaning of Manor; Holdsworth, vol. i, p. 87, *passim*, for their decline. Madox, *Furta Burgae and Baroniam Angliae*, for borough, &c, in Middle Ages. Webb, *Local Government, The Manor and the Borough*, for details of their connexion and development. Maitland, p. 204 et seq. for their decline.

² This writ required the lord to prove his right either by producing a royal charter or after the Statute of Gloucester usage since 1189, or, possibly, acceptance of payment at the Exchequer for the privilege. Holdsworth, vol. 1, p. 89, *passim*. Eyre of Kent, SS. iii. 182. Co. 4 *Inst.* (replevin of franchise).

³ e.g. the Hundreds of Wirral, which became the Borough Court of Birkenhead, and Salford Court of Record, now amalgamated with Manchester, op. cit. p. 6.

⁴ A fine if any person secretly killed was not a Saxon. Holdsworth, vol. 1, p. 11.

⁵ Statute of Winchester, 13 Edw. I, st. 2, c. 2.

⁶ 7 & 8 Geo. IV, c. 27; 7 & 8 Geo. IV, c. 31; Stephen, *H.C.L.* ii 188 *passim*.

⁷ 49 & 50 Vict. c. 38, ss. 10.

⁸ Holdsworth, vol. iv, p. 151 et seq. There is some dispute as to the origin of

In fact, during our period, except for the fact that lords of manors and other holders of franchises would usually also be Justices of the Peace so that in practice they could be worked alongside the more modern and efficient courts of Quarter and Petty Sessions, hundreds and franchises in general were unimportant. Occasionally, however, by being united to 'leet' or 'tourn' jurisdiction, especially in the boroughs, they survived. Leet jurisdiction was petty criminal jurisdiction, usually including 'view of frankpledge' and such matters as the 'assizes of bread and ale'.¹ The 'tourn'² was a biannual visit by the sheriff to see that the hundred, or franchise, performed its duties. Sometimes, however, the owner of franchise bought the right to hold the 'tourn' himself, and when he also had 'leet' jurisdiction he possessed a court which could try petty civil cases and minor police offences, and until 1461³ some indictable offences, i.e. serious crimes tried by a Petty Jury after being 'presented' by a Grand Jury. This was valuable when local justice was rare. Moreover, leet courts were the most usual form of medieval criminal justice in boroughs,⁴ and consequently in some of these

parish organization. It would seem that it was ecclesiastical in origin, but whether it was originally self-governing is doubtful. In the sixteenth century the Justices of the Peace clearly got control.

¹ A system of group responsibility for crimes based on the Saxon tithings P and M 1 568. But a leet might not include the 'view of frankpledge'. They existed in Wales from the Statute of Wales (1285), and frankpledge never did. Holdsworth, vol. 1, p. 76.

² These were unpopular. Great men need not attend after the Statute of Marlborough. Statutes against frauds and embezzlement were required under Edward III, and Parliament petitioned against their extension. 1344 R.P. ii. 148-9 and 155.

³ After this indictable offences were not tried in the tourn but sent to Quarter Sessions. 1 Edw. IV, c. 2, S.S. *Select Cases before Council*, lxxxvi-lxxxvii. It was further restricted in 1483, and attempts to restore it in 1624 failed. Holdsworth, ii, p. 81. Coke says: 'Vera institutio istius curiae evanuit et velut umbra eiusdem adhuc curiae remanet', Co 2 *Instt.* 72. See also *Bullen's Case*, 1608, Co. 4 *Rep.* f. 78 and 4 Co. *Rep.* 259-65.

⁴ It was only in boroughs they retained importance. Webb divides these into four classes according to their independence of overlords and extent of jurisdiction (*Local Gov., Manor and Borough*, pp. 266-7, 281-2, and 283). See also generally Green, *Town Life*, Holdsworth, vol. 11, c. 4; Halsbury, *Laws of England*, vol. viii, p. 180. If they had leets they ought to have their own prisons and so ought private lords until 1849. 12 & 13 Vict. c. 100, ss. 4. But private hundreds and leets practically only made petty by-laws long before this. See Return of Hundred Courts, *Parl. Papers*, 1839, xliii, p. 265.

cases such courts survive to this day, especially as boroughs frequently obtained their own commission of the peace, i.e. J.P.s and Quarter Sessions, which might or might not exclude the county commissions. In places where the borough commission was separate the court was usually presided over by a trained lawyer, the Recorder, who being an expert made the presence of the ordinary lay justices anomalous; a similar anomaly of allowing appeals from Stipendiaries to go to unskilled Quarter Sessions continued till 1933.¹

The existence of these ancient organizations, in fact, did little more than introduce occasional anomalies and peculiarities into local government and the general enforcement of law and police, which, so far as it was not dealt with by the Assizes and the superior Courts at Westminster, or in Tudor and Stuart times by the Star Chamber and other offshoots of the Council, rested almost entirely upon the Justices of the Peace. Indeed, local justice was not reformed until the nineteenth century, but before we explain the present position we must speak of London, upon the experience of which the modern system was based. And before we speak of this we must deal with the Justices in general.

They were the most important persons for law and police during the greater part of our period. Indeed, as Maitland says, 'Long ago Lawyers abandoned all hope of describing the duties of a Justice of the Peace in any methodic fashion, and the alphabet has become the only possible connecting thread.'² Even by the fifteenth century complaints were made of the overwhelming mass of statutory duties laid upon them.³ The legal literature dealing with their duties is enormous; apart from manuscript works,⁴ the first systematic treatise

¹ Webb, *Local Government, Township and Borough*, p. 288, Maitland, *Justice and Police*, 5 & 6 Will IV, c. 71, ss. 107; 45 & 46 Vict. c. 50, ss. 154; Stephen, *H.C.L.* i. 12, *passim*; Holdsworth, vol. i, p. 143, *passim*. Chester could even try treason which ordinarily Quarter Sessions could not. All depended upon the special charters. In 1933 this anomaly was remedied by the provision of special appeals committees by 23 & 24 Geo. V, c. 38, sec. 7 and sec. 8.

² Maitland, *Justice and the Police*, p. 84.

³ Lambard's *Eirenarcha*, bk. 1, c. 7.

⁴ See generally Holdsworth, vol. iv, pp. 115-22, and *E.H.R.* ix. 305-10.

is that of Fitz-Herbert in 1538, which was re-edited in 1583 by Crompton. A more scientific treatment of their duties and of those of the constable appeared in 1681,¹ differing from its precursors by excluding other local courts. Since then the literature has continually swollen.² Sir William Holdsworth mentions³ that between 1755 and 1869 Burns's *Justices' Manual* ran through thirty editions. The truth is that from the Tudor period onwards until the nineteenth century the principle of every government seems to have been 'when in doubt tell the Justices of the Peace to see to it'. Consequently the pursuit of criminals, the punishment of felonies and misdemeanours, the assessment and levying of poor and other rates, the enforcement of most of the masses of legislation passed during this period regulating trade and commerce, the standard of goods, the payment of wages, the upkeep of roads, the regulation of Church attendance, the suppression of illegal religious meetings, the licensing of public houses, the suppression of unlawful games and pastimes, the encouragement of archery, the sumptuary legislation, the repression of 'idolatrous practices', the capture of Jesuits, the regulation of the food of the different classes, the maintenance of almshouses, the apprenticing of the poor, the punishment of excise and tariff offences, and in general any other matter which a system of government which undertook to prescribe even the cloth men were buried in, in the interests of trade, considered it should regulate, was devolved on the Justices of the Peace. Nor were their administrative duties cut down until the nineteenth century.⁴

¹ Lambard's *Eirenarcha*. See Holdsworth, vol. iv, p. 118 et seq. Sir William Holdsworth follows Lambard's order of arrangement. He should be referred to for a list of their duties and the Statutes dealing with them in the sixteenth and seventeenth centuries. His list, of course, does not pretend to be complete.

² For list see Webb, *Local Gov., Parish and County*, p. 291, n. 1.

³ Holdsworth, vol. iv, p. 117, *passim*, and p. 119, n. 1.

⁴ See especially 51 & 52 Vict. c. 41 (County Councils), 56 & 57 Vict. c. 73 (Parish and District Councils). With the mass of legislation which in modern times has substituted county and other local councils, inspectors, &c., of the Ministries of Health, Agriculture and Fisheries, and Education, and of the Board of Trade, &c., as the chief administrative organs of the country it is impossible to deal in detail here. In general, however, we may say that matters of general and local administration have been transferred either directly to officials, or to local boards increasingly under

To understand how this extraordinary official arose and performed his duties, something must be said of his origin and the arrangement of his court. He takes his rise in the twelfth and fourteenth centuries from the knights then appointed to be 'Conservators of the Peace'.¹ When the Black Death led to the Statutes of Labourers, Justices were appointed to enforce them, and though from 1325 to 1359 separate justices² of labourers were appointed, after that period they regained their jurisdiction in these matters, and regulation of wages and poor law continued to be one of their most important duties until the nineteenth century.

From the days of Edward II onward they were appointed by the Crown, through the Chancellor, though earlier attempts were made to make them elective.³ The Crown acted at first on the advice of the Justices of Assize, and later of the Lord-Lieutenants, though the actual minister to appoint was, and still is, the Lord Chancellor.⁴ Their numbers have varied constantly and are now quite indefinite. As to the persons who could hold the office very little can be said. In 1389⁵ it was enacted that they should be 'sufficient' persons to answer for misconduct, in accordance with the medieval principle that all officers should be liable for misbehaviour. In 1439⁶ 'sufficiency' was settled at £20 per annum, and in 1732⁷ this was raised to £100. Not

the guidance of officials, with a consequent increase of formality and efficiency, and an increasing demand for progress not always in harmony with legal traditions. See p 894, note 1, *supra*, and also *An Introduction to Local Government Law* by Sir William E. Hart and William O. Hart, and *The Law relating to Local Authorities*, W. Trevor Jennings on the *Practice of Local Authorities*. That no attempt can be made in this place to deal with them in detail will be understood when it is remembered the Local Government Act 1933 has already called into being at least one work of 940 pages and including the consideration of some 1,200 cases A. R. Taylour and J. Moss, *The Local Government Act*, 1933.

¹ See Gross, *Justice of the Peace*, Holdsworth, vol. i, pp. 287-8, and Miss Putnam's *Justices of the Peace* for their general history.

² See Miss Putnam's work on the *Enforcement of the Statute of Labourers*, Columbia Law Series No XI Judging from her figures 'The non-enforcement' would be a more accurate description

³ Holdsworth, vol 1, p 285 et seq., and notes above.

⁴ Holdsworth, loc. cit., Webb, 1 379-81, Halsbury, xix 539 n. A county committee now advises on their appointment.

⁵ 13 Ric. II, st 1, c 7.

⁶ 18 Hen. VI, c. 11.

⁷ 5 Geo. II, c. 18.

until the twentieth century, i.e. 1906, was this property qualification abolished.¹ In spite of this they were paid fees of four shillings a day² during sessions, but as by a statute two years later, subsequently abolished, their number was fixed at eight per county, it was supposed that only eight could take the fees.³ Actually, however, these fees became derisory and, except in cases when, as in London, they made a trade of justice, and later when Stipendiaries appear, they may be regarded as being amateurs who served only for honour.

Their duties were numberless, and for long their commissions confused and uncertain. They were supposed to commence office by taking oaths to deal justly, and sue out their commission or *dedimus potestatem*, as it was called, but actually this was often neglected, a neglect which was a cause of complaint as it left the authenticity of their acts uncertain.⁴ In 1590, however, their commission was reformed by Sir Christopher Wray, C.J. of the K.B.⁵ In substance the commission he drafted set out the names of the Justices, the offences they were to try, with direction to refer difficult cases to the Assizes, appointed certain persons to keep their records, who were known as Custodes Rotulorum,⁶ who, however, in practice during the greater part of our period often neglected their duties, and failed to preserve their records,⁷ and finally gave a list of those Justices whose concurrence was necessary for more important acts.

Originally it was intended that the 'quorum' should consist of more learned members whose greater knowledge would secure due administration of the law. Actually it became customary to include all J.P.s in the quorum, though in the eighteenth century Blackstone says that, as a matter of form,

¹ 5 Edw. VII, c. 11.

² Except Peers, owing to 14 Ric. II, c. 11, which also limited the number to eight in each county, consequently it was thought only eight could be paid although number was not kept to for long.

³ 12 Ric. II, c. 10.

⁴ Webb, *Local Gov.* 1. 305; Holdsworth, vol. i, p. 289.

⁵ See Co. 4 *Instt* 171; Holdsworth, vol. i, p. 290, and especially Appendix XXIV for the form of this and the Tudor additions.

⁶ Finally this office was fulfilled by the Lord-Lieutenants. Holdsworth, vol. iv, c. 1.

⁷ Holdsworth, loc. cit.

one name was usually omitted.¹ However, by Statute,² a writ which failed to mention the concurrence of a member of the quorum was nevertheless valid.

The organization of the Justices can only be dealt with generally here. In the first place we must recur to the Custos. He was nominated by the Chancellor, except for a short period at the end of the reign of Henry VIII and the beginning of the reign of Edward VI,³ during which he was nominated by the Crown, a state of affairs restored by William and Mary,⁴ after which it became usual to nominate the Lord-Lieutenant.

What is more important for us is that because he was responsible for the roll he named his own clerical staff in accordance with the medieval principle of personal responsibility and consequent authority.⁵ This was of vital importance. In the Assizes the professional element for all practical purposes prevailed by the end of the fourteenth century, and consequently the law applied became more and more strict 'lawyers' justice' as used in the Courts at Westminster.

In the case of the Justices of the Peace this was not so. The clerk of the court, usually, was the most learned lawyer in it, often the only lawyer, but he was the servant of the lay-justices, and consequently the division of function between their judicial and administrative task remained less clear in spite of the supervision of the King's Bench over them.⁶ Secondly, the juris-

¹ Bl. 1 Com. 340.

² 26 Geo II, c. 27.

³ 37 Hen. VIII, c. 1, 3 & 4 Edw. VI, c. 1.

⁴ 1 W. and M. sess. 1, c. 21.

⁵ See Holdsworth, vol. iv, p. 149, citing *Mutton's Case*. (1584) 4 Co. Rep. 32b, 33b.

⁶ The distinction between 'lawyers' justice' and 'magistrates' justice' although familiar to lawyers may perhaps be a little obscure to laymen. It may be said to express the fact that although the law must be complied with and enforced in all cases, this may be done with a greater or less regard to technical rules and principles on the one hand, or to 'common-sense' results on the other. Naturally where the court is not learned and therefore cannot appreciate the value of technical points of detail there is a greater tendency in the latter direction, which has always been further encouraged in the case of Justices of the Peace by the number of matters in which almost everything has been left to their discretion to do what is 'fair' from time to time, and the fact that the distinction between their 'judicial' tasks, in which they should do justice according to law, and their administrative tasks, which they must decide according to honest discretion but cannot decide as matters of law because none exists to guide them, is, and always has been, somewhat

diction of the Justices varied according to their numbers and mode of assembly. The most important of these was, and is, general or Quarter Sessions. Repeated Statutes ordered them to meet four times a year,¹ and there, after 'charging' the people much in the same way as the Justices of Assize charged them,² to try on indictment by the juries of the township and hundreds³ all the crimes and misdemeanours indictable, except treason,⁴ and all lesser offences.

In the eighteenth century it became customary to refer to the Assizes all matters which amounted to capital offences,⁵ which had the effect of greatly reducing the judicial work of the Quarter Sessions, as during that century the number of capital offences was constantly increasing. In addition, appeals from Petty Sessions and less formal meetings of the Justices could, and can, in some cases be heard.⁶

This jurisdiction remained unaltered until the nineteenth century. Then, by Statute,⁷ treason, murder, and felony, punishable with penal servitude for life at first conviction, and some other special cases were taken from Quarter Sessions.

obscure. See D. M. Gordon, 'Administrative Tribunals and the Courts', *L Q R* xlix 94 and 419, especially pp 114 et seqq. Although the present writer is not in entire agreement with Mr. Gordon's general conclusions on constitutional theory, his discussion of the problem and the cases he cites will provide abundant material for understanding why our 'unlearned' local magistrates have in the past not infrequently tended to act and think rather as administrators with an eye to the expedient than as 'judges' even in matters in which they ought to be strictly 'judicial'. The phrase has, of course, no technical meaning, but conveniently expresses the fact.

¹ e.g. 36 Edw. III, st 1, c. 12; 12 Ric II, c. 10; 2 Hen VI, st 1, c. 14, 11 Geo. IV, 1 Will. IV, c. 70, ss. 35, 57 & 58 Vict c. 6, 7 Edw. V, c. 17, 16 & 17 Geo. V, c. 13; 20 & 21 Geo. V, c. 32. See also the recent statutes governing the special treatment of children and young persons, of which we shall have to speak again below, 1 & 23 Geo V, c. 12, 22 & 23 Geo V, c. 46. Of course, this list only gives a few examples, and is in no way exhaustive.

² Holdsworth, vol. 1, p. 292, *passim*.

³ Actually the constables of the hundreds usually came to form the jury of presentment on these occasions in the seventeenth and eighteenth centuries. This system of indictment they borrowed from the leets which they superseded, but developed it into a less clumsy form. 13 Edw I, st. 1, c. 13, fixed the leet jury at twelve. See further, Holdsworth, vol. 1, p. 78, *passim*, Hearnshaw, p. 70, *passim*; S.S. *Select Pleas of Manorial Courts*, xxxiv-xxxv.

⁴ In Chester they tried treason as well.

⁵ Stephen, *H.C.L.* i. 114-15; Holdsworth, vol 1, p. 293.

⁶ Harris, 8th ed, 491, see also below.

⁷ 5 & 6 Vict. c. 38.

Before this attempts had been made to delimit sessions more accurately and provide special sessions for particular purposes. Such an attempt was made by Statute in 1542, but its effect was to make a system too rigid and it was repealed.¹ In 1605 an attempt to bring about the same effect by Order in Council also failed.² In fact, local government from poor-rate assessments to criminal offences short of treason, and later, at least, capital offences, was carried out mainly by these courts of Quarter Sessions during our period until late in the nineteenth century.

Equally important was their summary jurisdiction. A single Justice of the Peace had certain powers³ to deal with minor offences. They are too multifarious to be enumerated here,⁴ and steadily increased; they included such minor offences as swearing or obstructing rivers by throwing out ballast,⁵ but their powers went undefined until 1864,⁶ though constantly controlled by the King's Bench.

Technically this summary jurisdiction is divided between Courts of Petty Session, and other Courts of Summary Jurisdiction; but this distinction was not made definite until the nineteenth century, and the chief differences are that Petty Sessions require two Justices or a Metropolitan Magistrate or a Stipendiary, and the sitting must take place in a Petty Sessional or 'occasional' Court House, and has, in some respects a wider jurisdiction. But the distinctions are merely technical or matters of detail, and both types of Court continue the traditional work of Justices dealing with minor offences without the formality of indictment, which has, with innumerable Statutory variations in detail, existed throughout our period.⁷

In recent years this procedure has been greatly developed

¹ 33 Hen. VIII, c. 10; 37 Hen VIII, c. 7.

² Holdsworth, vol. IV, p. 145.

³ Op. cit. p. 134, *passim*.

⁴ Ibid.

⁵ 19 Geo. III, cc. 21, 27.

⁶ 11 & 12 Vict. c. 43, but see Matland, p. 208, for earlier statutes increasing their summary powers.

⁷ The distinction of names even does not receive authoritative recognition until the nineteenth century, cf. 6 Geo. IV, c. 50, ss. 10; 18 & 19 Vict. c. 121; *Boulter v. Justices of Kent L.R.* [1891] A.C. at pp 563, 573, and 22 & 23 Geo V, c. 146. By the last act it is enacted that juvenile offenders must be tried in separate meetings of the Courts of Summary Jurisdiction, and by sec. 15 they may be dealt with in this way without the consent of their parents, which was formerly required, in all cases.

with a view to assisting 'preventative justice',¹ by treating first offenders, children, &c., differently from real criminals. Special 'juvenile courts' are the most striking development, and there seems no doubt that by enabling magistrates to take advice of court missionaries, substitute industrial schools, approved schools, Borstal, or police supervision for imprisonment, &c., and generally to temper the law to particular cases, these developments have done a great deal of good.² In this way more flexible justice has been provided recently in trivial matters than could ever before be provided. But at all times Justices of the Peace,³ either at Petty Sessions or at less definite meetings, carried on an enormous amount of semi-criminal and regulative work in addition to the work of Quarter Sessions, which provided the main basis of local police and criminal and administrative government until the nineteenth century. At all times the decisions of these courts were liable to be quashed by the King's Bench by the Writ of Certiorari and their attempts to exercise jurisdiction beyond their authority forbidden by the Writ of Prohibition and their decisions, in a judicial matter, which could then be examined if necessary on Certiorari compelled by Mandamus, but in the nineteenth

¹ See for the nineteenth century Stephen, *H C L* 1. 124-6, Maitland, *Justice and Police*, p. 123, *passim*, Children's Act, 1908, 8 Edw. VII, c. 67, s. 111. For an account of modern methods of dealing with juvenile offenders generally see *Boys in Trouble*, Mrs. Le Mesurier (Leader of the Women Workers at the Boys' Prison, London), which, however, treats the question from a sociological, not a legal, standpoint, and see further *infra*.

² Juvenile courts have, moreover, been greatly increased in importance by the Children and Young Persons Act, 1932, 22 & 23 Geo. V, c. 46. Secs. 1-4 provide for specially qualified magistrates nominated outside the City of London by the Secretary of State for Home Affairs and in London by the Lord Mayor and Aldermen, and by sec. 3, sub-sec. II (2) outside London one normally must be a woman. Sec. 4 also provides for the court to be held separately from other summary courts. Sec. 15 allows children to be tried summarily without consent for indictable offences. Sec. 19 (1) raises the age of presumed innocence to 8, and by sec. 19 (2) sentence of death was abolished for all under 18, and by sec. 22 the terms 'conviction' and 'sentence' are no longer to be applied to young persons, i.e. those under 19. Further, in all, 104 pages of the Statute Book are by this Act alone devoted to provisions for the more humane treatment and trial of children and young persons and for their general care, whilst the Children and Young Persons Act, 1933, 23 Geo. V, c. 12, devotes another 100 pages of statutory provisions to the same purpose.

³ Including, of course, stipendiary magistrates, for whom see *infra*.

century, in order to prevent delays in trivial matters, this has frequently been forbidden by Statute.¹ Apart from this appeals from Petty Sessions and other Summary Courts lay to Quarter Sessions and thence to the King's Bench, and this system has also been improved recently.²

But besides trying minor crimes the Justices were largely concerned with the capture and preliminary examination of criminals. The law during the greater part of our period was in these respects extremely anomalous; and nothing illustrates more clearly its curious mixture of severity and informality. At common law a Justice had no more power to arrest than a constable,³ but in the Middle Ages every one was bound to arrest felons; districts could be fined for failure to do so, whilst by the Assize of Clarendon⁴ the sheriff had been authorized to enter all franchises for the purpose. So, not unnaturally, the Justices, who became the natural leaders of the old 'hue and cry'⁵ so far as it survived, had very limited powers at first. They were given no express powers to issue warrants until 1848,⁶ and Coke⁷ regarded this power, though recognized by the courts⁸ under Henry VIII, with considerable suspicion. They could

¹ See, for early instances, 11 & 12 Vict. c. 43.

² Appeals to them began with 19 Eliz. c. 5, ss. 35 and 39 Eliz. c. 12, and 1 James I, c. 25, and have been gradually improved especially by the provision of appeals committees. See 23 & 24 Geo. V, c. 38. Certiorari, appeal on points of law, or requiring the justices to 'state a case' for the high courts are the chief methods employed. Appeal from quarter sessions on pure fact is not allowed.

Far the greater number of offences are dealt with by summary courts of one kind and another, as can be seen from the following figures: in 1931 there were 589,657 persons found guilty of some offence or other, and only 59,367 were indictable offences, and these were mainly thefts, house-breaking, and similar offences. 88 per cent. were dealt with summarily, 4 per cent. by Assizes and the Central Criminal Court, 8 per cent. by Quarter Sessions, and of those dealt with summarily 20 per cent. were dealt with by juvenile courts. Of offences against the person, of which there were only 2,625, 43 per cent. were dealt with by Quarter Sessions or Assizes and 57 per cent. summarily. Theft in all forms, apart from motoring offences, is the most common type of offence. In 1931 motoring offences (nearly all summary and not indictable) covered 43 per cent. of all offences. For further details see Cmd. 4360 and Statistical Abstract for the United Kingdom for each of the fifteen years 1913 and 1918-31. ³ Stephen, *H.C.L.* 1. 190-2. ⁴ Stubbs, *S.C.* x. 140-6.

⁵ Holdsworth, vol. iv, p. 521, for the last attempt to organize this and the justices' powers to assess land, &c., and make those who had failed to pursue pay.

⁶ 11 & 12 Vict. c. 42, ss. 1. 2. 8. For other purposes these warrants were recognized earlier. ⁷ Co. 4 *Inst.* 176-8. ⁸ See Stephen, *H.C.L.* 1. 191, *passim*.

not break at first into a house to execute the warrants and were supposed to act on their own suspicion, though Hawkins¹ a little later recognized a wider discretion. But even until 1925² their warrants could not be used to arrest suspects beyond the county or other boundaries of their commissions without endorsement by a justice in whose district the suspect was at the time. These powers were at first only tacitly assumed, although, of course, in support of warrants from higher authorities they could always act more vigorously,³ but for the purpose of catching

¹ Hawkins, *P.C.* 107-10.

² Criminal Justice Act, 1925, s. 31 (3), by sec. 44 a constable executing a warrant need not have it with him.

³ The limits of authority of warrants issued by higher officials such as Secretaries of State cannot be said to have been defined at all until the 'general warrant' cases in the third quarter of the eighteenth century, of which *Entick v. Carrington* (1765), 19 St. Tr. 1030, is the chief. Now Secretaries of State can order the arrest of specified persons and the seizure of specified papers for political offences. Judges of the superior courts have always been able to issue warrants for the arrest of any criminals. In this connexion it is worth while noting that in recent years a practice of seizing property not specified in search-warrants which might be useful in other prosecutions has apparently grown up and has been justified by the Home Office merely on the grounds of practice—a position scarcely tenable in law according to E. C. S. Wade, 'Police Search', *L. Q. R. L.* 354, but see *Elias v. Passmore* [1934] 2 K. B. 164. Other extensive powers of search and seizure have been granted both by Statutes in the Incitement of Disaffection Act, 24 & 25 Geo. V, c. 56, and Betting Lotteries Act, 22 & 23 Geo. V, c. 56, the Official Secrets Acts, and some others. The powers of arrest by constables without a warrant have always been greater than that of private citizens, in spite of the duty of private citizens to pursue felons. The chief differences may be summarized as follows. At common law:

Private persons must arrest any one committing treason, felony, or dangerous wounding in their presence and may use any necessary force, including breaking doors, for the purpose. Constables the same.

Private persons may arrest those they reasonably suspect of these offences, but the offence must have been committed by some one. They have no general right to commit violence in this case, and to kill them when innocent and resisting is only manslaughter and if they kill innocent persons in this case it is manslaughter. Constables need only reasonable suspicion and the offence need not have been committed. To resist them is always unjustified, even if innocent, as they have a duty to act and not merely a right.

By Statute Private persons may arrest at the moment of commission, but not a moment after, persons signalling to smuggling vessels, 39 & 40 Vict. c. 36, s. 190, or committing offences under (a) the Vagrancy Act, (b) the Larceny Act, 1916, (c) Coinage Offences Act, 1861, or any indictable offence at night, 14 & 15 Vict. c. 19, s. 11, or if authorized by the owner of the property persons committing offences against (a) the Malicious Damages Act, 1861, (b) the Night Poaching Act, (c) the Town Police Act, (d) the Metropolitan Police Act. Constables can do all these things but do not require consent of the owner of the property.

suspects their powers were only the outcome of the fact that the 'hue and cry' at first needed leaders, and later, when these fell practically into disuse, they were left the chief responsible persons for the police work of the country.¹

Moreover, arrest except after process was strictly limited. At common law no arrest was possible for the commission of a misdemeanour (a crime less than felony) except to preserve the peace,² although after conviction of a crime or in the course of civil processes to prevent the escape of the alleged debtors, &c., it was freely used, this latter power playing an important part in developing the jurisdiction of the Exchequer Court and King's Bench.

In the case of felonies the power to arrest was much more extensive. It was settled by the seventeenth century upon the lines which it retains until this day; indeed, Sir James Fitz-James Stephen in 1882 referred to Hale's *Pleas of the Crown* as still the most complete account of the Common Law rules.³ These rules may be summarized by saying that any one may, and should, arrest a person who has committed a felony, and is not guilty of any offence, civil or criminal, if he arrests a person whom he reasonably suspects, provided such an offence has been committed, whilst a constable may arrest a person he reasonably suspects although no actual crime has been committed. The powers of Justices in these respects were hardly more extensive, and so far as they were greater were at first rather the result of assumption than of law. Nor was the machinery at their command more commensurate to their

Constables may also arrest persons loitering in a highway or yard whom they suspect of even being about to commit a felony under the Larceny Act, 1916, the Malicious Damages Act, 1861, or offences against the Person Act, 1861, and in London any one reasonably suspected of having committed or being about to commit any indictable offence or loitering without explanation.

Private persons may also, if necessary, temporarily detain any one to prevent a breach of the peace until he is calmed or the opportunity has passed. Constables may arrest for permanent detention those committing even common assaults.

The common law position has therefore been greatly complicated by Statute and rendered somewhat deceptive, but at common law, as can be seen, even the powers of constables were strictly limited

¹ Holdsworth, vol. iv, p. 135, *passim*.

² Stephen, *H.C.L.* i 193, *passim*.

³ *Ibid*, citing Hale, *P.C.* ii 72-105. See note 3, p. 912, for modern additions and details.

duties. The only police were the constables, or headboroughs, or tithing-men as they were variously called, and these were incompetent. In towns there was supposed to be a 'watch', but in London by the close of the seventeenth century this was in the hands of seventy different impecunious trusts,¹ and was incompetent. Their employers had practically no funds, and the watchmen, or 'Charlies' as they were called, were decrepit old men only too glad to take Dogberry's advice, on meeting a marauder, and 'go their way and thank God they were rid of a knave'.²

Until the seventeenth century the trained bands of London supplied a more efficient force, but during that century they fell into decay for this purpose, and practically all the rest of the country had to rely on the High Constables of Hundreds and Franchises and Parish constables. Indeed, until the rise of the New Police the Justices for actual force had only these, whose numbers they could increase in cases of emergency by swearing in any suitable persons to act as special constables, a power enforced by a penalty of £5 to which any one who refused to serve was, and still is, liable.³ If any more regular force was required they had to call upon the military, an expedient which in the eighteenth and nineteenth centuries was highly unpopular, or rely on the general duty of citizens to maintain the King's peace, although Justices were particularly liable to punishment if they failed to act with sufficient vigour and courage.⁴

The position of military officers and men in such circumstances was, and still is, technically extremely difficult. The Mutiny Act (now the Army Act)⁵ and the Articles of War bind them to assist, but afford no protection if the orders they receive are excessive. Nor will the value of their acts, if found later by a jury in excess of the necessity of the case, and

¹ Stephen, *H.C.L.* i. 194 et seq., citing Colquhoun, *Treatise on the Police of the Metropolis*, 1796.

² *Report of a Select Committee on the Police of the Metropolis*, 1796, and Colquhoun's *Treatise*. Stephen, *H.C.L.* i. 194, *passim*, and Fielding on the Increase of Robbery, &c.

³ Stephen, *H.C.L.* i. 106.

⁴ *R. v. Parny* (1832), 3 B. & Ad 947 See especially the direction to the grand jury.

⁵ It is kept renewed by the Army (Annual) Act. The Navy and Air Force are similarly bound by the Naval Discipline Act and Air Force Discipline Act.

therefore illegal,¹ be any excuse. In fact, in theory a soldier might be faced with the dilemma of obeying and being hanged for murder, or disobeying and being shot for mutiny. Of course, in practice this is not the case, and a recent decision seems to indicate that obedience to an apparently legal order might be defence at least to a private soldier, though actually circumstances did not justify it,² because it would supply a good reason for him to believe in the necessity of the act, and reasonable belief in this is, in some circumstances, sufficient justification.

As the older types of constables fell rapidly in importance until they did little but publish notices, and were practically abolished in the nineteenth century,³ in reality police during our period depended on the energy of the amateur justices until the New Police were created, and practically the only means of investigating crimes were the preliminary inquiries of Justices of the Peace. These date from 1554,⁴ when Justices were ordered to make an investigation before admitting prisoners to bail. This was extended the next year to preliminary inquiries when the prisoner was to be committed to prison pending trial. The duty was enforced by the Star Chamber,⁵ and there was no pretence that they had any other object than to secure evidence for conviction.

The prisoner was questioned, bullied, and tricked if the magistrate felt so inclined,⁶ especially in the seventeenth century. He was not confronted with his accusers. His words were taken down and used as evidence at the trial. He was not, at first, allowed even to see the depositions of his accusers, though this was changed later if he came to be tried, at first in cases of treason, and later in other cases.⁷ Altogether the inquiry was conducted on lines approaching those of the 'third degree'.

¹ See *Reg. v. Eyre* Special Report, p. 58, per Blackburn, J. See also Reports in 5 C. and P. 261, f. 3B and Ad. 947. See also on this Stephen, *H.C.L.* i. 203 et seq., and Dicey, *Constitutional Law*, Appendix: Martial Law.

² *Reg. v. Smith*, [1900], 17 C.G.H.S.C. 561.

³ 7 & 8 Vict. c. 33, ss. 7 and 8; 32 & 33 Vict. c. 47; 35 & 36 Vict. c. 72.

⁴ 1 & 2 P. and M. c. 13. ⁵ See below. ⁶ See Stephen, *H.C.L.* i. 221-8.

⁷ 7 & 8 Will. III, 7 Anne, c. 21, ss. 14; Act of Union with Scotland.

Nor was this method entirely altered until the second quarter of the nineteenth century.

As late as 1824 a definite line was drawn by Brett J. between a magistrate's judicial and investigatory duties,¹ and it was admitted that the latter should be conducted in private, especially as press notices might influence the jury, a danger which in respect of preliminary proceedings in court has been the subject of some discussion of recent years. The whole position was changed later. The investigation is now simply an inquiry to determine if there is any case for prosecution. The change began in 1836,² when the Prisoners' Counsel Act provided that the accused might inspect all depositions. Before that the inquiry had been carried out under the old Statutes of Philip and Mary.³

The next step, in 1848, was Sir John Jervis's Act.⁴ Henceforward the inquiry was practically judicial. The accused was allowed copies of depositions. All witnesses had to be examined in his presence and he might question them. He might make statements which had to be read over to him and signed by him or he could refuse to do so. He was allowed counsel. He might call witnesses in turn. Later he was allowed to compel their attendance at the trial and receive an allowance for their expenses.⁵ Above all, he had to be informed of his rights, and no inducement might be held out to waive them or confess. He might be discharged if no *prima-facie* case was shown.

When the law had reached this stage it was practically modern and there have been no changes in principle since; although the position of accused persons was improved by Statute as late as 1934. The most noticeable feature is its extreme fairness to the accused. Indeed, in the eighteenth century a man accused of a capital offence would have been only too lucky if he had received anything like so fair a hearing as he

¹ Stephen, *H.C.L.* i. 227, describing *Thurtell's Case* in 1824. See also *Colledge's Case*, 8 St. Tr. 723, *passim*, for the beginning of permission to prisoners to have legal advice at this stage.

² 6 & 7 Will. IV, c. 114, s. 4.

³ As re-enacted and enlarged 7 Geo. IV, c. 64, ss. 2 and 3.

⁴ 11 & 12 Vict. c. 42.

⁵ 30 & 31 Vict. c. 35. See also Poor Prisoners' Defence Act, 1903, 7 Edw. VII, c. 38. These Acts have been since repealed and the principle extended by 20 & 21 Geo. V, c. 32, and 23 & 24 Geo. V, c. 38, s. 2.

now receives at the first investigation of a misdemeanour; he certainly had not half the advantages as regards counsel and witnesses until late in the century. This complete change in the legal attitude to accused persons is a remarkable feature of the nineteenth century. It has been further developed by the so-called 'Judges' Rules', which afford almost equal protection to a suspect as soon as the police are prepared to charge him.¹

That this is an advance there can be little doubt; but it can no more be doubted that the police of the country could not have been for so long carried on by untrained justices without detectives or trained police to assist them had they not been allowed unfettered investigation of persons accused before them.

Closely connected with this duty was their responsibility for bail. This had originally been the duty of the sheriff who, as early as Edward I,² was bound to grant it in some cases and to refuse it in others. Later the Justices took over this duty in most instances. First the sheriff was forbidden to bail those accused at Quarter Sessions.³ This was repealed in 1486,⁴ and it was enacted that criminals could only be bailed by two Justices; this was further strengthened by Statutes of Philip and Mary,⁵ and many subsequent enactments modified the rules. The whole was recast at the beginning of the nineteenth century.⁶ The general tendency has been to make bail more easy. A single Justice can bail for most felonies and certain misdemeanours. He must grant bail for libel, conspiracy, unlawful assemblies, sedition, and certain other cases, and all misdemeanours and offences created by special Statutes.

The most remarkable feature of this is that those accused of political offences are amongst those for whom bail is always available, the only exception to this being treason, which can

¹ For the latest rules see Criminal Justice Act, 1925, ss. 11, 13, 14, and Kenny, p. 452; the rules are becoming even more favourable to the accused but the principle is unaltered. See also the *Report of the 'Fareham' Commission* For the earlier methods see further Holdsworth, vol. ix, p. 200, *passim*.

² 3 Edw. I, c. 72. See also Stephen, *H.C.L.* 235, *passim*. See also C. K. Allen, *Legal Duties*, p. 253 et seq. The Presumption of Innocence for both former practice and some interesting comments on our present theory.

³ 4 Edw. IV, c. 1. ⁴ 1 Ric. III, c. 3. ⁵ 1 & 2 Phil and Mar. c. 2, 3.

⁶ 7 Geo. IV, c. 39; 11 & 12 Vict. c. 42, ss. 23, 11 & 12 Vict. c. 47, s. 23, &c.

only be bailed by a Secretary of State or a Judge of the High Court.¹ This is the reverse of previous ideas, introduced through Whig fears of despotism. The right to bail is enforceable by Habeas Corpus. This writ,² originally used to bring parties or witnesses before the court, by our period was used to secure that no one should be kept in prison without trial. The Crown's successful claim in Darnell's case,³ that the King's command was sufficient answer to the writ, gave rise to one of the constitutional issues of the seventeenth century, but after the Restoration the Habeas Corpus Act of 1679 made it available in all criminal cases.⁴ At first this did not protect fully those imprisoned in the course of civil actions, and an attempt to remedy this under Charles II failed, as bail varied with the amount claimed, and fictions were used to increase the nominal claim.⁵ This was not fully remedied until 1816.⁶ It is hardly a police matter, but we should remember that though the Parliamentarians of the seventeenth century secured freedom from royal, political, or criminal imprisonment without trial the poor debtor was not protected until later; and the whole question of imprisonment on civil process remained a scandal to justice until the nineteenth century.⁷

¹ For the technical distinctions of bail, mainprize, &c., see Stephen, *H.C.L.* 240; Hale, *P.C.* II. 124, and Fitz-Herbert, *Natura Brevium*.

² *Glanville's Case* (1615), Moore 838. Woodbine, *Four 13th Century Law Tracts*, Introd., p. 10. At first the King's Bench insisted on being satisfied with the cause in all cases, but the Common Pleas at first only remanded criminal cases. For the Common Pleas see Co. 4 *Inst.* 99-100. Bl. 2 *Com.* 127 et seq. Hale, *P.C.* II. 144; *Bushell's Case*, Vaughan's *Rep.* 156; Anon, Carter's *Rep.* 222.

³ *Darnell's Case* (1627), 3 St. Tr. I, Maitland, 314.

⁴ 31 Car. II, c. 10. This extended the use of the writ to all superior courts and made refusal of it in some cases penal. When the courts were united into divisions of one High Court each could be applied to in turn. This was not settled until 1923 in the case of the *S. of S. for Home Affairs v. O'Brien*, [1923] A.C. 603. Though the King's special command is no longer sufficient answer, the Speaker's, for unspecified contempts of the House of Commons, is. The Sheriff of Middlesex's Case (1840), 11 A. & E. 273.

⁵ 13 Car. II, c. 2. Holdsworth, vol. i, pp. 198 and 220, *passim*. Blackstone denied that it was merely to protect the Common Pleas that the true cause of action as well as the fictitious had to be shown.

⁶ 56 Geo. III, c. 100.

⁷ Debtors who can but will not pay can still be imprisoned for 'contempt of court'. Recently complaints have been made that this is too frequently done, especially to enforce rates—complaints that the judicial statistics support, for although imprisonment merely for debt is abolished civil process accounts for 24 per cent. of all admissions to prison, and failure to pay rates for another 17 per

But to return to police we must return to the special case of London. The criminal jurisdiction of London is dealt with by four special courts, that of the Lord Mayor, Recorder, and Aldermen, the Quarter Sessions for the City of London, and the Borough of Southwark, the Central Criminal Court,¹ and, from 1844,² a special General or Quarter Sessions of Middlesex under a paid assistant judge.

But it is of its commissions of the peace that we have to speak here. Justices of the Peace were always closely connected with the Government. All Justices of the Peace were nominees of the Crown through the Lord Chancellor on the recommendation of the Justices of Assize or Lord-Lieutenants,³ but in London, apart from the fact that it had special provisions from its numerous and important charters which gave jurisdiction to its own officials—the City having a Recorder like lesser towns—and that most serious crimes in the Metropolitan area are tried at the Central Criminal Court—the appointment of magistrates was naturally of greater importance to the Government, and was always more under the direct control of the Government, and the Council, especially in the days of the Star Chamber, kept a tight hold on it. In spite of this, by the seventeenth century the Justices of London had become hopelessly corrupt. Justices were paid by fees if at all, and fees honestly earned were inadequate; nor in London, where the work was a whole-time job, could amateurs of sufficient wealth to disregard the emoluments of office be secured. By the eighteenth century, as all contemporary accounts show, the ‘trading justices’ of London had become an abomination.⁴ Warrants were issued to take

cent Cmd. 4295 Recently Acts have been passed to be sure that committal shall not take place owing to failure to pay unless the court is satisfied that the defendant is deliberately obstructive, 24 & 25 Geo V, c. 52, secs. 142 and 143, and 25 & 26 Geo. V, c. 46.

¹ See Stephen, *H.C.L.* 1. 118, Halsbury, ix. 177–8.

² 7 & 8 Vict. c. 71; 22 & 23 Vict. c. 24

See Holdsworth, vol. i, pp. 145–6, Webb, *Local Government, Parish and County*, 327, Swift, *A Project for the Advancement of Religion and the Reformation of Manners*; Fielding, *Journal of a Voyage to Lisbon*, Introd., Works, ed. 1775, xii; Hardwick, *Life of Harris*, p. 391, *passim*.

⁴ Evidence before the Commission of 1816. Report, p. 139, *passim*, and *supra*, note 3, p. 914.

'all the poor devils found in the streets', and then they would be bailed, the forfeited bail being kept by the justices, for to reappear would be to be condemned. Groundless accusations were freely entertained so that these exactions might be secured. Bribes from those who batted on vice were a systematic source of income. In fact the Trading Justices of the later seventeenth and eighteenth centuries provide at once both the darkest picture in the history of English justice and a standing warning against trying to secure cheap justice by paying those who administer it inadequately having regard to their position. They were as inefficient as they were corrupt. The Government therefore adopted the practice of paying the justice who sat at Bow Street from the secret service funds, in return for which he was expected to supply information, and generally exert himself more vigorously than his colleagues. The famous 'Bow Street Runners' were, in fact, his servants and our first detective force. But they did not come into existence until 1749. They were, of course, constables. Additional members were attached to the other 'police offices' which were created in 1792.

On the whole this system worked much better than would be expected, though the 'Runners' were usually more eager to secure convictions than to prevent crimes. The paid magistrate appears first in 1729, when the office was held by Sir Thomas de Veal, to whom in 1748 Fielding, one of the most eloquent opponents of the 'trading justices', succeeded.¹ In spite of this, the police system of the capital was entirely inadequate. The trained bands and watchmen were incapable of keeping order; indeed, it was a popular 'sport' amongst the young rakes to attack the Watch.²

In 1780 the notorious Gordon Riots attracted public attention to this state of affairs, and four years later an attempt was made to set up regular 'police offices' by Statute, but this, although adopted in Ireland two years later,³ was too great an

¹ Webb, *Local Government, Parish and County*, p. 339.

² Loc. cit., p. 574

³ See Fielding, *Journal of a Voyage to Lisbon*. For the comparative weakness of the magistracy and the steady increase of crime, especially robbery, in the eighteenth century, see also Fielding's *Enquiry into the late increase of Robbers, &c* (1751). See also Swift's *Project for the Advancement of Religion and the Reformation of Manners*

infringement of the sacred principles of English liberty. It was not until 1792 that Parliament agreed to seven 'police offices' in addition to Bow Street, presided over by stipendiary magistrates with a salary of £400 per annum, a number which was added to in 1800.¹ In 1829² with the creation of Peel's New Police, the system was extended, ten offices, with two stipendiaries each in charge, being created. For the next ten years these magistrates continued to control the police of the capital. In 1839³ the police were separated, and put under Commissioners, so that the judicial and administrative sides are now completely separated in London.

Further alterations in the magistracy followed from time to time, and now thirteen police courts are allowed by Statute in London, and eleven actually exist, stipendiaries varying in number, but never more than twenty-seven in all. Those magistrates have had their powers greatly enlarged and are included in the Commissions for Peace for Middlesex, Kent, Surrey, Essex, Hertfordshire, and in the case of the Chief Stipendiary at Bow Street, also for Berkshire.

The rest of the country followed the same lines. The Municipal Corporations Act⁴ set up 'Watch Committees' which with the mayors were to appoint and regulate sufficient constables who could act in adjoining counties, and were paid by the borough rates. In 1839⁵ the Justices were allowed to create county police by appointing a chief constable who, with the consent of two Justices at Petty Sessions, should appoint the other constables as required. In 1856 this was made compulsory and the Home Secretary empowered to appoint two

¹ 32 Geo. III, c. 53, 39 & 40 Geo. III, c. 87. Holdsworth, vol. i, p. 147, citing Maitland, *Justice and Police*, p. 100, n. 1, says this was drafted by Bentham and passed exactly as he drafted it, according to Bentham

² 10 Geo IV, c. 44.

³ 2 & 3 Vict. c. 47, ss. 4. In this year also the City Police who are, and always have been, distinct from the Metropolitan Police, were put under commissioners appointed by the lord mayor and aldermen. They have had a detective branch since 1848. In 1909 the Port of London detectives were reorganized under the Port of London Authority, as the existing forces under the different dock authorities were found to be hopelessly underpaid.

⁴ 5 & 6 Will IV, c. 76, and 4 & 5 Vict. c. 50.

⁵ 2 & 3 Vict. c. 93.

inspectors to see that the police work of all these bodies was properly performed.¹

Such is still the basis of our police. There are now 186 county and borough forces, and about 60,000 constables. They are all under the general control of the Home Secretary, and are principally regulated by the Police Act of 1919; but a very large amount of local discretion is allowed.

Finally, it must be remembered there is no distinct detective force. Each local force has its own C.I.D. of 'plain clothes men', all of whom start in the uniformed ranks. The nearest approach to an exception to this is the C.I.D. of the Metropolitan Police, often called Scotland Yard from its head-quarters. But though this body has wider duties it is technically only a branch of the Metropolitan Police, and for ordinary crimes does not act outside that area unless called in by the local police. It consists of 'Central Detectives' who are sent out as required, the Criminal Records Office, the Finger-prints Bureau, and the Special Branch which deals with political investigations, aliens, bolshevists, &c.; but, though this organization provides the nucleus of a central force, local independence is still the keynote of the police system.² In recent years dissatisfaction with police organization, especially on the administrative side in the counties and boroughs, and with the C.I.D. led to several reports, all of which pointed to a lack of sufficiently highly trained officers, due largely to the survival of the rule laid down by Sir Robert Peel in 1829 that all ranks up to that of superintendent had to be filled from the ranks, and to the slowness of promotion. This led to the so-called Trenchard Reforms in 1933, which aimed at securing greater efficiency chiefly by allowing a certain number of 'short-service' constables to be recruited for the Metropolitan Police, so as to avoid having a large number serving for years

¹ 19 & 20 Vict. c. 69. At first the Justices assessed the Police Rate, but after 1888 this came out of the general county council funds. The appointment of the chief constable and the general regulation of the force was transferred to a Standing Joint Committee appointed half by the council and half by Quarter Sessions.

² For the modern organization of the police down to 1933 and their methods of detection in greater detail see *Crime and Detection*, ed. Teignmouth Shore. For the history of police in general see Melville Lee, *History of Police*.

after all hope of promotion had gone, and receiving a certain number of 'officer class' recruits, who would become 'Junior Station Inspectors' (a new rank) after two years' training at a new police college, and then pass on to higher ranks, and also by increasing opportunities of promotion from the ranks. It is too early to say how these reforms will work.¹

In the same way the idea of paid magistrates spread rapidly. In 1813² Manchester secured stipendiaries and in 1835³ borough justice was reorganized. Mayors in certain towns were made Justices, and the Crown empowered to make any one residing within seven miles of one of these towns a Justice for it. These towns were given separate Commissions of the Peace, with, if they chose, stipendiary magistrates who had to be barristers of five years' standing, provided they passed a suitable by-law approved by the Secretary of State.⁴ Those towns not given a separate commission were deprived of all criminal jurisdiction whether formerly given by Statute or Charter, and merged for these purposes in the General Commission of their counties.⁵ The same principle was extended in 1863, and all localities with 25,000 inhabitants or over could receive stipendiaries on similar application by their local board.⁶

Very little use has been made of this power, most districts preferring the ordinary Justices of the Peace, no doubt partly because they have been found to be efficient, reasonable, and

¹ Thus nearly 90 per cent. of the Metropolitan Police recruits had at joining only elementary education, and even in 1931 and 1932 the percentage with higher education only rose 30 and 31 per cent. respectively. At the same time in 1932 8,400 out of the 19,504 uniformed police of the Metropolis had lost all chance of promotion, not having secured it in time. Thefts of cars had increased by 200 per cent. in November and December 1932 over the figures for June and July, and only 13 per cent. of reported cases of larceny, housebreaking, shopbreaking, &c., were cleared up in the year. The changes were authorized by 23 & 24 Geo. V, c. 33. Earlier relevant Acts: 9 & 10 Geo. V, c. 46 and 84, 12 & 13 Geo. V, c. 55, chiefly dealt with pay and pensions. For the reports which led to these changes and further details see Report of Inspectors of Constabulary 1932, Report of the Commissioner of Police for the Metropolis for the year 1932, Cmd. 4294, and a Memorandum on the subject of certain changes in the Organization and Administration of the Metropolitan Police, Cmd. 4320

² 53 Geo. III, c. 72. Webb, *Local Gov., Parish and County*, p. 880, n. 3.

³ 5 & 6 Will. IV, c. 76.

⁴ ss. 99.

⁵ ss. 107.

⁶ 26 & 27 Vict. c. 97 and see 45 & 46 Vict. c. 50, Pt. VIII (Consolidating Act) 1882.

just, and partly because they are not paid. Thus even to this day justice in this country, in criminal and police matters, is very largely the justice of amateurs.¹

It was not until close on the end of the eighteenth century that there was any attempt to provide either official police, or any professional judges to deal with the mass of minor crimes and infringements of the law. Nor was it until the third decade of the nineteenth century that the function of detecting and trying the great mass of these offences was separated. This last point is perhaps the most important of all. When considering the past it must never be forgotten that the same amateur justice was mainly responsible for the pursuit, arrest, and bringing to trial and punishment of the offender.

With this account of the duties and organization of the Justices we may leave them and turn to the other court whose duty it is to investigate crimes, the Court of the Coroner. These courts are older than the Justices. In 1194² 'Custodes' were appointed to 'keep the Pleas of the Crown' in the counties. But Blackstone calls the office 'chiefly judicial'.³ This gives an incorrect impression. Their duties were to inquire into such Crown rights as treasure trove,⁴ deodands,⁵ chattels, fish royal, and forfeitures for treason, to receive accusation by appellors,⁶ and approvers to record confessions and abjurations, &c. Also, when the sheriff is an interested party they act in his stead to serve or enforce processes of the High Court.

Above all, it is their duty to hold inquiries 'super visum corporis' into sudden and unexpected deaths. In the seventeenth century they inquired into some other offences such as rape and prison breach, but of this Hale seems a little doubtful. In all these cases their inquiries were preliminary. They proceeded with a jury to find out and accuse, not to try. The trial

¹ See Kenny, *Outline of Criminal Law*, p. 443, n. 5.

² Holdsworth, vol. i, p. 82 et seq. on this. Halsbury, *Laws of England*, cit. Coroner. This should have meant that they recorded all matters which being Pleas of the Crown or otherwise included in the Articles of Eyre were to be dealt with by the Itinerant Justices, but they seem to have tried cases, and this was forbidden by sec. 24 of Magna Charta.

³ Bl. 1 *Com.* 347.

⁴ Chitty, *Prerogative*

⁵ i.e. chattels which had caused death and were forfeited to the Crown. This rule is now abolished

⁶ See Stephen, *H.C.L.* 1. ch. viii, *passim*, and *infra*.

would be elsewhere; consequently their juries need not be unanimous. Being in open court their inquiries were perhaps free from the worst of those abuses which disgraced at first the preliminary inquiries of Justices, but were always clearly an attempt to investigate, not to judge. This character they have retained to this day. It is remarkable that whereas the Justices' preliminary inquiries have been made strictly judicial, this court, though a Court of Record, retains its inquisitorial character. No doubt this has been the case because their inquiries were not final, and murder being by the nineteenth century the only important matter they investigated, no one has wished to fetter them since they act publicly and cannot prejudice the real trial.

However, during most of our period they were rather under a cloud. The Tudors¹ had spoiled the dignity of the office by making it paid, and by the eighteenth century² few persons of position would accept it, although it was for life and could not be withdrawn without reason.

In the nineteenth century the office was revived. The country was divided into coroners' districts³ and later the coroner was appointed by the county council⁴ instead of by the old County Court. The office ceased to be paid by fees and again was held by persons of position. Their ancient duty to inquire for treasure trove⁵ remained, but their only important task is to assist the public by their investigations of unexpected deaths. In this way they are still important, but during our period they never played so big a part as in the Middle Ages.⁶

Besides these local courts primarily concerned with police matters, law has been also administered by others of greater dignity. In civil cases local justice was scanty until the creation

¹ 3 Hen. VII, c. 1; 1 Hen. VIII, c. 7. See also Geo. II, c. 29. Coke objected to their being paid. Co. 2 *Instit.* 210.

² Bl. 1 *Com.* 341, *passim*.

³ 7 & 8 Vict. c. 92.

⁴ 51 & 52 Vict. c. 41, ss. 55; Bl. 1 *Com.* 346 for old system. ⁵ 50 & 51 Vict. c. 41.

⁶ The Acts relevant to their duties were consolidated in 1887 by 50 & 51 Vict. c. 41, which was further amended by the Coroners Amendment Act, 16 & 17 Geo. V, c. 9, of which the most important provisions were sec. 13, allowing them to dispense with juries in certain cases, and sec. 1, sub-sec. 4, dispensing with the former property qualification of land in fee in the county, and sec. 4 abolishing almost all special 'franchise' coroners.

of the new County Courts in 1846.¹ These need not delay us. They were created to deal with the mass of minor civil cases to which the ordinary civil courts could not give justice because of the expense. They are presided over by judges, who are barristers of at least fifteen years' standing, appointed by the Lord Chancellor, and may use, though this is very rare, a jury of eight. The judges go on circuits in divisions of the country. Appeals from them lie to the decisions of the High Court. They have been found most useful, and their powers have constantly increased. They deal, however, only with the less important civil cases—of late largely motor-car accident cases and such matters as the Rent Restrictions Act on the civil side form the chief as regards the numbers but not the importance of their tasks.² Although they deal with the majority of civil actions we may therefore leave them, for the law they administer is the same as the superior courts, and they are not connected with the police.

Of much greater significance for law and police in all branches since Henry II have been the Assizes. For the more important criminal cases not dealt with by Quarter Sessions are usually tried by the Assize judges under their Commissions of Oyer and Terminer and Gaol Delivery. These courts have developed out of the itinerant Justices first instituted by Henry II. Their jurisdiction³ is, however, much more limited. The General Eyre had been excessively oppressive owing to its elaborate character, and by the middle of the fifteenth century had dropped out of use.

Instead the Justices of the King's Bench and Common Pleas and Barons of the Exchequer, if serjeants, were sent on circuit with Commissions of Gaol Delivery, Oyer and Terminer, and Nisi Prius and Assize. The last of these gave them jurisdiction

¹ 9 & 10 Vict c 95 Local 'Courts of Requests', i.e. for poor prisoners and small cases, and until abolished the Court of Request, had mitigated this in some cases, and in Middlesex county courts go back to 1750 (23 Geo. II, c. 33), but in general there was no cheap local justice. Holdsworth, vol. 1, p. 108, *passim*

² They are now governed by 24 & 25 Geo V, c. 43, which with numerous other Acts has greatly extended their jurisdiction.

³ Holdsworth, vol 1, p. 265 et seq.; vol. 11, bk. 11, cc. 3 and 4.

in minor civil matters to an increasing extent,¹ except Exchequer cases, which until 1839² they could not touch as they technically affected the revenue.

Oyer and Terminer enabled them to try all crimes when the accused was not in custody, and Gaol Delivery when he was. These commissions were linked to the old Eyre by the earlier Commissions of Trailbaston, which in the fourteenth century had been issued in cases of riot.³ Technically they were only temporary; in practice after 1547⁴ one commission could finish what a former had begun. They were not, however, limited to the judges. Laymen were as freely joined in the commission. But in all cases the professional judge had to be of the quorum and in practice had his own way during our period, though as late as 1867⁵ a remarkable revolt of the lay commissioners occurred.

Their authority was of a somewhat anomalous character. On the one hand they possessed jurisdiction of the King's Bench, on the other both the King's Bench and the Common Pleas decided the limits of their jurisdiction, and cases could always be removed by Certiorari, and decided in the King's Bench or sent to another assize.⁶ However, they try the majority of cases too serious for Quarter Sessions, although a certain number are still usually removed to London.⁷

But they only administered the same law as the central courts. Of these only the King's Bench need concern us, as the others were confined to civil cases and do not affect the law of police except in minor degree. Their rivalry had a great deal of influence on the development of civil law and until the nineteenth century their lack of co-ordination made civil justice

¹ As applied to these tribunals the name Assize originally only referred to the commissions which enabled them to try certain forms of action concerning reality; but as the word originally meant any 'sitting' or meeting it became extended to cover these particular local 'sittings' by royal commissioners generally. For the details of these developments *vide loc. cit.*, note 3, p. 926 *supra*.

² 2 & 3 Vict. c. 22.

³ Holdsworth, vol. i, p. 272.

⁴ 1 Edw. VI, c. 7, ss. 5. Reeves, *H.E.L.* iii 473; Holdsworth, vol. i, p. 281.

⁵ See *Leverson v. The Queen*, L.R. 1867 Q.B. 403.

⁶ *King v. Jolliffe* (1791), 4 T.R. 293 *ex parte* Fernandez (1861) 10 C.B. N.S. 57. Holdsworth, vol. viii, p. 261, *passim*.

⁷ Stephen, *H.C.L.* i. 96, *passim*.

doubtful and expensive; but these matters are outside our subject.

But of the King's Bench as the chief court for matters affecting peace and order we must say more. In origin it was part of the Curia Regis and followed the King's person, but by the fourteenth century it had settled at Westminster. Apart from the House of Lords and the Prerogative Courts it was highest in this sphere.

Its connexion with the Council was intimate. It was theoretically 'coram Rege' although the King did not usually sit. Edward IV was the last to do so. More usual was the interference of the Council in the early seventeenth century. It had a recognized right to interfere in important cases. This was the subject of many quarrels and embittered the constitutional struggles of the period,¹ but with the Civil War it ended except as an occasional abuse. Its main importance is that but for this the King's Bench would have been less likely to adopt part of the Law of Defamation, Conspiracy, &c., invented by the Star Chamber. Its normal jurisdiction included all 'Pleas of the Crown', roughly all crimes and civil trespasses *vi et armis*. It had further, in the words of Coke,² 'not only Jurisdiction to correct errors in judicial proceedings, but other errors and misdemeanours extra-judicial, tending to the breach of the peace, or oppression of the subject, or any manner of misgovernment'. In particular, it controlled the courts of the Marshal and the Steward, which, however, though James I tried to revive them to deal with palace offences, were moribund by our period.³

It did not, it is true, usually deal with crimes, unless the importance of the offender, the fact that he was already in the custody of the court or brought before it by the process of

¹ See for instance *Prohibitions del Roy* (1607), 12 Co. Rep. 63. *Brownlow v. Michl* (1615), 3 Buls. 32. Bacon, *Works*, vii. 683-725. The first of these cases marks the last attempt of the King to try cases or interfere with their trial in the King's Bench, by open orders, apart from stopping criminal actions by *nolle prosequi*; although throughout the seventeenth century the corruption of the age allowed political influence to sway the judges. See C. K. Allen, *Legal Duties*, p. 253. 'The Presumption of Innocence.'

² Co. 4 *Instit.* 75.

³ Holdsworth, vol. i, pp. 208-9. *The Judicial Review*, xxxi. 139 et seq.

criminal information,¹ made this necessary. But it could try all crimes alleged to have been committed in Middlesex, or any county where it was,² for though usually at Westminster it might sit elsewhere, if plague, politics, or the like made it desirable. It had all the powers of the assize judges, and also of a Coroner's Court and of the 'Conservators of the Peace',³ and the ordinary eyre ceased to have authority in the county into which the King's Bench came.⁴

More important was its power to remove all cases, civil or criminal, from the inferior courts, including the Assize, if for any reason, such as local prejudice or excess of jurisdiction, there was danger of justice not being done there. This it did by means of the Prerogative Writ of Certiorari, by which it could and still does order the record of any case to be brought before it, to be quashed if for any reason illegal. When it has the 'record' before it, it may either try the case or return it to the same or another county to be tried there at the Assizes.⁵ In the seventeenth and eighteenth centuries this power of removal was undoubtedly valuable as a safeguard against prejudice. It is still invaluable as a means of checking excess of jurisdiction. Similarly by Writs of Prohibition it could, and still does, stop threatened illegal decisions, and by Mandamus will compel an inferior judicial authority to act so that justice may be done.⁶

Besides this it corrected erroneous decisions by means of Writs of Error. Appeal on grounds of error was originally in the

¹ Holdsworth, vol 1; Co. 4 *Inst.*, loc. cit., *passim*.

² Reeves, *H.E.L.* iii. 158; Stephen, *H.C.L.* 195-6.

³ Co. 4 *Inst.*, loc. cit. I do not know why the old name 'conservator' rather than the later term 'justice' is used in this connexion. It makes no difference

⁴ Although the King's Bench has sat in London since 1834 by 4 & 5 Will. IV, c. 36, London has been provided in the form of the Central Criminal Court with what is really a permanent assize court. The commission includes the lord mayor and aldermen, the recorder, the common serjeant, and others, but actually the four or five divisions in which it sits are presided over by judges of the High Court. See *Dig. Crim. Proc.* p. 9, *passim*.

⁵ Using the word in its general sense, see note 3, p. 926, and note 1, p. 927, *supra*; Co. 4 *Inst.*, loc. cit.; Holdsworth, vol. i, p. 279.

⁶ For instances of the modern use of these writs to control Ministers, Government Departments, Justices of the Peace, &c, see references in note 1, p. 894, and Mr. Gordon's articles referred to in note 6, p. 907.

nature of a complaint against the justice of an inferior court, but early, apart from Certiorari, and during our period, appeals so far as they existed were dealt with by Writs of Error. These were not available until judgement had been given in the court below.¹

In civil cases Writs of Error were known from an early date. Their limitations and rules were complicated and technical. The only 'errors' which could be 'assigned', i.e. complained of, were those 'appearing on the record',² that is to say the formal record of the court. Arguments, evidence, the direction of the jury did not appear. Only formal matters, the writ, the pleadings, the verdict, and the judgement were matters of record. The errors assignable were equally technical. Trifling questions of 'venue', i.e. the style of the place where the matter in dispute took place, were fatal. Technical mis-description of the venue whence the jury came would be equally fatal, but many serious faults could not be assigned. They were not 'apparent' upon the record. Other points had to be expressly raised at the trial and written down by the judge and recorded in a 'Bill of Exceptions'.³

In criminal matters the case was still worse. Until 1705 the writ of error was not allowed except by leave of the Attorney-General, and his 'fiat', if he gave it, was an admission that the law had not been complied with, and so the case was quashed at once. Then in *Patey's Case*⁴ ten judges held that it ought to be granted, and the Attorney-General could be compelled to grant it, in cases of misdemeanour, and the error properly argued. But in the case of treason and felony the old discretionary power still remained, though by 1770 it was admitted that if a *prima-facie* case for granting it appeared the fiat would not be withheld.⁵

That this system did much for justice may well be doubted;

¹ Holdsworth, vol. 1, pp. 213 et seq.; Y.B. 11 Edw. III (R.S.), 244.

² Holdsworth, vol. iv., p. 531, *passim*.

³ Holdsworth, vol. 1, pp. 215 et seq. *Crawle v Crawle* (1683), 1 Eq. Case Abr. 414. *The Roters' Case* (1683), 1 Vern. 175. *Hollis's Case*, 2 St. Tr. 1022.

⁴ *Patey's Case*, 1 Salk. 509.

⁵ *Wilkes's Case*, 1770, 4 Burr. 1550. Stephen, *H.C.L.* i. 309, 310.

the whole business was far too technical for real justice or merits to prevail, and a knave would be as likely to escape as an honest man. Sir James Fitz-James Stephen has likened it to the toss of a coin, and in 1907 the Criminal Appeal Act¹ abolished Writs of Error and set up the Court of Criminal Appeal.

A more intelligent method of securing justice was to reserve cases until the judge could consult with the rest of the Bench. At first this was done merely as a matter of convenience; later the Bench as a whole actually heard arguments. But not until 1848 was this organized by Statute. Then the Court of Crown Cases Reserved was established, consisting of five judges, including the Lord Chief Justice of the King's Bench, from the Common Law courts, to hear arguments on points of law reserved by the trial judge. But only points of law could be heard.²

Further in 1907 the Criminal Appeal Act³ set up what is substantially the system of to-day. The court is composed of the judges of the High Court, practically of the King's Bench Division, and usually including the Lord Chief Justice. Three judges form a quorum.⁴ Matters of pure law can be brought before it as of right, matters of mixed law and fact on a certificate of the trial judge or by leave of Court, and appeal against the sentence by leave of the Court only.⁵ To appeal against the sentence is not always wise, as the court can increase as well as diminish a sentence. Beyond this if the Attorney-General certifies that a matter of substantial legal importance is involved⁶ appeal lies to the House of Lords. This, however, very seldom occurs. No new trial is allowed,⁷ but if a mis-trial has taken place, i.e. if the issue has not been properly tried, a *venire de novo* may be ordered.⁸ The Prerogative of Mercy is not affected.⁹

The utility of this court has been doubted, but on the whole it would seem to be well justified.¹⁰ Previously, motions for

¹ 7 Edw. VII, c. 23.

² Stephen, *H.C.L.* i. 311; 12 & 13 Vict. c. 78.

³ 7 Edw. VII, c. 23.

⁴ Sec. 1.

⁵ Sec. 3.

⁶ Since this was written the rules have been further amended by 24 & 25 Geo. V, c. 40. Leave to appeal to the Lords now requires the consent of the Court of Criminal Appeal or of the Lords ⁷ ss. 4, 20 (1). ⁸ ss. 20 (4). ⁹ ss. 19.

¹⁰ Alexander, *The Administration of Justice in Criminal Matters*, p. 124 et seq.

retrial had been not uncommon, although they do not appear until the seventeenth century in criminal cases.¹ No new trial would, by the end of the century, be granted after acquittal, though this was doubtful at first if the case was not capital,² nor was retrial allowed after conviction in *R. v. Hannis*³ in 1671, but two years later in *R. v. Latham and Collins*⁴ it was allowed. This only applies, we may say, to misdemeanours, though in the middle of the last century in one case retrial was allowed for felony.⁵ The main reasons for which retrial would be allowed were either because the jury has been misdirected by the judge as to the issue before them or because evidence not admissible had been received. Now, the Court of Criminal Appeal having discretion to vary the sentence so that real justice is done, or quash the conviction if wrong, retrials are unnecessary.

But equally important with its criminal jurisdiction is the King's Bench's general restraint of other authorities. This has scarcely changed throughout our history except so far as in modern times administrative bodies have sought to relieve themselves of judicial control.⁶ During the whole of our period except for the acts of superior courts, i.e. the Council or the House of Lords, the Exchequer and Chancery, and the Courts of Exchequer Chamber⁷ (and Coke vainly tried to extend prohibi-

¹ Holdsworth, vol. iv p. 534, *passim*. Theyer on *Evidence*, p. 175 et seq.

² *R. v. Bowden* (1661), Keb. 546; *R. v. Fenwick and Holt*, 1 Keb. 546; *R. v. Jones* (1724), 8 Mod. 201-8; *R. v. Duncan* (1881), 7 Q.B.D. 178. ³ 1671, 2 Keb. 765.

⁴ 3 Keb. 143. See also Stephen, *H.C.L.* 1, 310, *passim*.

⁵ *Reg. v. Scaife* (1851), 17 Q.B. 238. Disapproved of in *Reg. v. Duncan* (1881), 7 Q.B.D. 198.

⁶ See the works of Allen, Robson, and Hewart L.C.J. already cited p. 894, note, and for these writs generally, Holdsworth, vol. i., pp. 228-38.

⁷ The Common Pleas was an 'inferior' court in this respect.

The Courts of Exchequer Chamber do not really concern us. They consisted of (a) informal meetings to discuss and hear argument on important cases by all the judges, this died out in the early seventeenth century, the case of *Ship Money* (1637), 3 St. 825, being one of the last cases so argued; (b) a court set up by 31 Edw. III, St. 1, c. 12 (1357-8) to hear appeals from the Court of Exchequer; (c) a court set up in 1585 (27 Eliz. c. 1, ss. 2 and 3) to hear errors from the King's Bench; (d) a court combining (b) and (c) and also the King's Bench jurisdiction in error from the Common Pleas set up in 1852 (15 & 16 Vict. c. 76, ss. 148, 149, 152, and 157). Ultimately this was displaced by the present Court of Appeal by the

tion to suitors in Chancery), any attempt to exercise undue authority would be crushed by the King's Bench. This it did by the Writs of Prohibition, Mandamus, Certiorari, and Quo Warranto. By the first it prohibited a contemplated act; by the second it compelled inferior judicial officers to perform their duties; by the third, order the record of any proceedings which it was desired to challenge to be brought before it and, if they were illegal, quashed them; by the fourth it forced any one claiming to act with authority to prove his right. The last in the seventeenth and eighteenth centuries was largely superseded by *ex-officio*¹ information by the Attorney-General, a method of procedure extended to private persons in the nineteenth century.² This general power the successor of the King's Bench, the High Court, still exercises, except so far as Statutes have put administrators above the law. Many recent cases show that the power is by no means unimportant to the liberty and the property of the subject.³

Such were the means by which the courts and especially the King's Bench protected the subject against arbitrary interference.⁴ But when a wrong has been done there is no

Judicature Acts, 1873-5. Like the Courts of Common Pleas and the Bankruptcy Courts, these courts were and are civil courts and do not concern us. For the semi-criminal jurisdiction of ecclesiastical courts see below.

¹ Stephen, *H.C.L.* i. 294.

² *Darby v. Reg.* 12 C.L. & Fen. 545, *R v Speyer*, [1916] 1 K.B. 609.

See, for instance, re Bowman, [1932] *T.L.R.* xlviii 351 and other notes on this subject, *supra*.

⁴ Originally Petitions of Right and the cognate Monstrans de Droit were mainly if not entirely, confined to the recovery of property, or of offices, which down to the administrative reforms of the nineteenth century tended also to be treated as property, and only in the sixteenth century did they begin to be extended to contract. At first also they were brought in Chancery, i.e. as matters of grace, and not in the King's Bench, and they still will not lie for contracts of employment or such as would fetter 'future executive action'—a vague phrase upon the meaning of which it is impossible to express a concise opinion except that it seems to exclude from protection any contract which is not purely a matter of business but may affect political decisions. The question has been much discussed in recent years. For the earlier history see Prof. L. Erlich *L.Q.R.* xlv. 60. See also Petitions of Right Act, 1860, 23 & 24 Vict. c. 34; *The Bankers' Case* (1700), 14 Edw. St. Tr. 34; *Wroth's Case* (1573), Plow. 452, *Thomas v. The Queen* (1874), L.R. 10 Q.B. 31; *Rederiaktrebolaget 'Amphitrite' v The King*, [1921], 3 K.B. 500; *Dunn v. The Queen*, [1896] 1 Q.B. 116, J. W. Gordon, K.C., 'The Crown as a Litigant,' *L.Q.R.* xlv. 186, Malcolm M. Luvis, 'The Attitude of the Courts in matters relating to the Prerogative,' *L.Q.R.* xlv1 326,

adequate remedy for the subject. He may sue the particular official who has acted, but cannot sue his superior though he ordered the offence unless he acted personally and not merely as the head of a department. Against the Crown he has no remedy except by Petition of Right for breach of contract [other than a contract of employment or restraining 'executive action'] or property wrongfully retained, and this can be refused by the Attorney-General. It is at least doubtful if he has any remedy for a breach of trust.

In recent years some additional protection has been secured by obtaining a declaration of the illegality of an intended act,¹ but once the wrong has been suffered the doctrine 'The King can do no wrong' stands in his way, and leaves him to secure what compensation he can from a possibly penniless, anonymous, and almost certainly morally guiltless, underling. Even then he must act promptly, for in six months his rights will have vanished in many cases.²

A recent committee has sat upon this matter and made recommendations which would largely reform the abuses, but nothing has been done. Our liberties are often still protected merely by the possibility of suing or prosecuting some possibly insignificant official. Nor must it be forgotten that until the Act of Settlement³ the judges, except the Barons of the Exchequer,⁴ held office during the King's pleasure, and were therefore a doubtful protection against the Crown or its servants.

The remaining courts which have exercised criminal jurisdiction scarcely concern us, with the exception of the Council. The House of Lords can, as we have seen, with leave of the Attorney-General, be appealed to in last resort.⁵ It had at common law this power, but though frequently used in the Middle Ages, by the fifteenth century it had largely fallen into disuse. In the sixteenth century and early seventeenth this was and the Report of the Crown Petitions Committee, 1927, Cmr. 2842. Nothing, however, has come of this report. The subject is also extremely ably and clearly treated in Keir and Lawson's *Cases in Constitutional Law*, sect. vi, a perusal of which should make the chief points clear even to laymen.

¹ *Dyson v. A.-G.*, [1911] 1 K.B. 420.

² Public Authorities Protection Act, 1893: 56 & 57 Vict. c. 61.

³ 1 W. and M., c. 3. ⁴ Co. 4 *Instit.* 617. ⁵ Stephen, *H.C.L.* i. 145 et seq.

revived and received statutory recognition in 1585.¹ Between 1602 and the outbreak of the Civil War it also exercised some criminal jurisdiction in ordinary cases in first instance, but this did not survive. Again in the Middle Ages private 'appeals' of treason or felony in Parliament were frequent, but in 1399 these were abolished.²

Its jurisdiction in two other respects was more important. It tried impeachments, in which case the Commons were the accusers. There have, however, only been about seventy cases of this in our history; moreover, they were all political in character.³

Far more important is the right of Peers to be tried by the Lords; the last instance was Lord Russell for bigamy in 1901, by the High Steward's Court.⁴ This is a deduction from the principle of trial by peers, i.e. equals, laid down in Magna Carta. It was extended to all cases in 1341,⁵ but this was repealed two years later, and under Henry VI⁶ the right was confined to felonies and treasons.⁷ Instead of the House of Lords they are tried by the Court of the High Steward, if Parliament is not sitting. This is also composed of peers. Until Henry IV the office of High Steward was hereditary,⁸ but since then he has been nominated *ad hoc* by the Crown and at first he selected the Lords to sit with him. This enabled the Crown to pack the court, but in 1696 this was put an end to in cases of felony by a Statute⁹ providing that all peers with a right to sit and vote should be summoned twenty days before the trial and have the right to vote, and this was extended to treason later.¹⁰

Of Attainders we cannot speak here; they were merely forms

¹ 27 Eliz. c. 8, amended by 31 Eliz. c. 1, secs. 2 and 3.

² Maitland, pp. 215, 245-6. See also Professor Samuel Rezneck, 'History of the Parliamentary Declaration of Treason', *L.Q.R.* xcvi. 80.

³ Maitland, p. 317. Commoners cannot be impeached for felony or treason as the Lords are not their 'peers'.

⁴ Maitland, p. 319, note 1. Until 1936. Since writing, the case of Lord de Clifford has occurred and led to proposals for the abolition of the privilege as anachronistic and cumbersome.* ⁵ 15 Edw. III. ⁶ Stephen, *H.C.L.* i. 164.

⁷ 20 Hen. VI, c. 9.

⁸ Stephen, *H.C.L.* i. 164 et seq; Co. 4 *Instt.* 58.

⁹ Maitland, p. 318.

¹⁰ 7 & 8 Will. III, c. 3.

* Since this was written Lord de Clifford's case has brought the matter to a head, and a bill to abolish this privilege has been introduced and passed the House of Lords.

of *ex post facto* legislation by means of which a predominant party murdered its political opponents. In fact Parliament as a court has scarcely been concerned with normal crime; its jurisdiction therefore belongs chiefly to political and constitutional history and does not concern us.

On the other hand, the Admiralty, from 1294¹ if not earlier, had important criminal jurisdiction. Its jurisdiction was over crimes outside the body of any county, or at least 'below bridges', and it had little influence upon the ordinary law and police.² It was, however, during our period that its importance was established. Henry VIII³ obtained statutory authority to appoint an admiral and commissioners, who in practice were the common law judges, to deal with treasons, felonies, robberies, murders, and confederacies by English subjects on the sea. In 1799⁴ this jurisdiction was extended, and the growth of our overseas possessions led to considerable legislation.⁵

In the nineteenth century the Central Criminal Court⁶ was given the Admiralty criminal jurisdiction, and in 1844⁷ commissioners of oyer and terminer were given the same powers as commissioners had been given by Henry VIII,⁸ whilst the Criminal Consolidation Acts of 1861 for practical purposes put crimes committed at sea on the same footing as those on land. This, of course, did not give jurisdiction over foreigners unless on British ships, or pirates. In 1878 it was decided that no court had jurisdiction over foreigners who committed crimes on foreign ships even in territorial waters, and an Act was passed to alter this anomaly.⁹

Finally we must speak of the Council and its offshoots, espe-

¹ Stephen, *H.C.L.* ii 16, citing Co 4 *Instit.* 143, but see Selden, *Mare Clausum* II, for many medieval precedents of earlier date but less sure authority.

² Stephen, *H.C.L.* ii 1, *passim*; Holdsworth, vol. 1, p. 550, *passim*.

³ 28 Hen. VIII, c. 15 One object was to substitute a jury for the Roman Law practice requiring two eyewitnesses or confession which necessitated torture. The civil procedure in the Admiralty remained Roman until much later. See Clarke's *Praxis Admiraltatus Angliae*.

⁴ 39 Geo. III, c. 37.

⁵ Stephen, *H.C.L.*, loc. cit., *passim*.

⁶ 3 & 4 Will IV, c. 36, s. 22.

⁷ 7 & 8 Vict. c. 2.

⁸ Stephen, *passim*.

⁹ See *A-G. of Hong Kong v. Kevok-a-Sing*, L.R. 5 P.C. pp 199, *passim*; *R. v. Keyn* (*The Franconia*), L.R. 1 Ex. Div. pp. 63-239. Stephen, *H.C.L.* ii. 10, *passim*; 40 & 41 Vict. c. 73.

cially the Star Chamber. Here we can only emphasize the fact that from the accession of the Tudors down to 1641 the Council and its offshoots, Star Chamber, the Councils of the North, of Wales, and the Marches, were the chief bulwark of such order as existed in the country. Moreover, the Council and the Star Chamber cannot be clearly separated. In the seventeenth century Parliamentary controversialists endeavoured to argue that it was merely a statutory creation which had exceeded its jurisdiction,¹ but in reality it seems to have been merely a survival of the King's power to do justice where law was unavailing. Its decline and fall were due to political causes. Its contribution to police and law, on the other hand, were most important. It was the protector and corrector of Justices of the Peace. It is difficult to determine which was more necessary in the sixteenth and early seventeenth centuries. Thus we find cases in which the Star Chamber intervenes to punish those who have recovered damages against constables carrying out the legitimate orders of the Justices.² On the other side, besides less serious defaults, there are thirteen cases dealing with sales of justice by Justices of the Peace in *Les Reportes* from 1593 to 1609.³

¹ Baldwin, *The Council*. For cases see Selden Soc., vols. 16 and 25. Baldon, *Les Reportes sic del Cases in Camera*. For all this see Baldwin's classical study and the cases printed by the Selden Society and privately for Mr. Baldon, and Hudson's contemporary work on the Star Chamber. For the different views as to its origin see Holdsworth, vol. iv, p. 60. Previous to the sixteenth century petitions on account of violence which normally the Council or Star Chamber dealt with were frequently brought to the Chancellor instead. Indeed, from the outbreak of the Wars of the Roses till Henry VII's accession this seems to have been commonly the case, and most of the cases before the time of Elizabeth printed in vol. i of the first Royal Commission Report on Chancery Records are of this kind. The jurisdiction seems to have been concurrent, and the Chancellor to have confined himself increasingly to the civil jurisdiction which became the basis of modern equity as the Council became more active again under the Tudors, and to have ceased—unless his orders were disobeyed in civil matters—to deal with matters of violence after the Star Chamber perished. However, any perusal of Monro's *Acta Cancellaria* or vol. i of Spence's *Orders in Chancery* will show clearly how much violence he had to deal with, and how similar in these cases his activities were to those of the Council at its best.

² See *Falkland v. Mountmorris and others* (1631), *Sel. Cas in Star Chamber*, SS. 25, and also *Att-Gen. v. Pontier, Les Reportes*, &c., ed. Baldon, p. 71.

³ See, for instance, *Bristowe v. Lecheferde, Les Reportes*, p. 108, *Plowden v. Blundell and Braighton*, op. cit., p. 145; *Dagge v. Dunkellan*, op. cit., p. 235. These are typical examples. Many more can, of course, be found in the Reports cited here, note 1, p. 937, *supra*.

The general impression is that the Star Chamber and Council were very necessary not only to deal with the 'over mighty subject' but to supervise the ordinary petty criminal and police work of the country. It is also worth noticing that the non-legal members of the Star Chamber sometimes took a more merciful view than the judges when the offence was more technically than morally blameworthy.¹

That the Council was just, skilful, and impartial in most cases there is no doubt.² But it was very severe. The fines it inflicted were enormous, and it used to torture freely in political cases. Moreover, it forced accused persons to give evidence on oath, contrary to the common law. In view of its well-known honesty it is difficult at first to see why innocent persons should have dreaded this last so much. But it must be remembered that in political cases honest men could, if they disapproved of the rules of policy of the government, hardly escape if they were questioned, before rules of evidence existed.

In recent years³ the right to give evidence has been extended by successive steps to all accused of crimes, as a privilege, though they are not compellable; without it being regarded as harmful to Common Law principles and at Common Law, though not on oath, prisoners were questioned in the seventeenth and eighteenth centuries most brutally.⁴ Moreover, recent cases have shown that the right may be dangerous to a criminal. It has not led to injustice, but most lawyers agree it has led to convictions not otherwise possible, and as in the seventeenth century criminal law was far less settled than now, the dread of committing themselves unwittingly had much justification.

But, in spite of this, the real offence of the Star Chamber and the other prerogative courts was that in the seventeenth century

¹ e.g. in *Att.-Gen. v. Huntly, Parnell, and others*, op. cit.

² Co. 4. *Instit.* 6; Holdsworth, vol. iv., p. 54, *passim*. Coke, however, thought a minor off-shoot of the Court of Requests was illegal, *Stepney v. Flood*, 9 *Instit.* 98, owing to excess of jurisdiction.

³ 1852. 15 & 16 Vict. c. 99; 1890, Criminal Evidence Act, 51 & 52 Vict. c. 36.

⁴ *Raleigh's Trial*, 2 St. Tr. I, and the often quoted description in *Tom Jones*, bk. viii, ch. xi.

they became the great machine for suppressing Puritans, who after all were often seditious and frequently riotous; and with the success of that party the Council's jurisdiction in England, though it retained its power to commit for trial and to hear appeals from overseas dependencies, was doomed.¹ It is a common error to imagine that the Star Chamber was essentially oppressive. Actually its disappearance² undoubtedly delayed the development of effective police for two centuries, and left the suppression of crimes exclusively to courts whose methods were vastly inferior in almost every way, and, as we shall see, we owe to it more than half the foundation of the Law of Defamation, and even the common law lawyers praised it at times.

Finally, before we leave the question of courts and authorities it must be remembered that down to the eighteenth century the Palatinates and Wales technically remained outside the general system of the country.³ In the Middle Ages the King's Writ had not run in the Marches,⁴ and the Prince Bishops of Durham held their own Assizes⁵ alongside the King's, whilst Wales was not fully united to England until 1536⁶ and Ely⁷ stood outside the ordinary county system until the first year of Victoria. But practically in our period this made little difference. Henry VIII united Pembroke and Wales to England, and practically annexed⁸ the jurisdiction of the Marches except the leets. Chester had been a royal appanage since Edward I and Lancaster since 1399.⁹ Durham¹⁰ was united to the Crown as a separate franchise in 1536, and in 1537 subordinated to the Council of the North. Hexham was suppressed by Elizabeth¹¹

¹ Stephen, *H.C.L.*, p. 166, *passim*.

² In 1641.

³ For the meaning of Palatinate throughout Europe see Selden, *Titles of Honour*, p. 241 seq. For the special mining Courts of the Stannaries see Holdsworth, vol. i, p. 151, *passim*, and for Courts of the Palatinates in England, Holdsworth, vol. 1, pp. 109-31.

⁴ Holdsworth, vol. i, p. 120; *Lamply v. Thomas* (1747), Wils. 193, Co. 4. *Instut.* 223; Harg, *Law Tracts, Discourse against Jurisdiction of King's Bench*, p. 339 et seq.

⁵ Holdsworth, vol. 1, p. 119; Lapsley, 196.

⁶ 27 Hen. VIII, c. 26.

⁷ 5 Eliz. c. 23, ss. II; Co. 4 *Instut.* c. 39, Webb, *Local Gov., Parish and County*, p. 314.

⁸ 27 Hen. VIII, c. 26; 34 & 35 Hen. VIII, c. 26; 34 & 35 Hen. VIII, c. 26, s. 101. Some enactments of Henry VIII do point to more disorderly conditions in these districts down to his day.

⁹ From the accession of Henry IV, Duke of Lancaster.

¹⁰ 27 Hen. VIII, c. 24; Lapsley, 196-7.

¹¹ 24 Eliz. c. 13.

after the Rising of the North. In fact, by legislation,¹ by the gradual intrusion of the Common Law courts and, during the Tudor period, by the influence of the prerogative courts of the North, of Wales, and of the Marches, their old independence was destroyed. So that, though they continued a feeble existence, they were easily absorbed into the general system of the country in the nineteenth century, and even the Chancery of Lancaster, which still exists, is practically merely a branch of the Chancery Division.² Their only importance for the three centuries has been that they provided local justice where it was sorely wanted, an advantage marred in the case of Durham³ by the fact that their officers were trained in the ecclesiastical law and ignorant of the law they had to administer, but they were probably abolished too soon in Wales.⁴

Let us now consider the methods of trial and accusation used in the ordinary courts. The most ancient of these was 'appeal', i.e. personal accusation by the aggrieved persons or their relatives. This was abolished in 1819⁵ as a result of *Ashford v. Thornton*,⁶ in which the accused claimed trial by battle, and, 'la peine forte et dure' having been abolished in 1772,⁷ could not be refused.

The importance of these appeals had long since declined, though it is true that until 1529⁸ a person robbed could not recover his goods unless he had appealed the felon and secured his conviction. From then on he could recover them if he had assisted by evidence or otherwise in the conviction, and now can recover them or their value even from innocent purchasers unless sold in open market and even then if the thief has been convicted.⁹

¹ Holdsworth, vol. i, p. 114, *passim*.

² Since 1890, 53 & 54 Vict. c. 82.

³ *Spearman's Enquiry*, 1729, Lapsley, 202-3.

⁴ *Parl. Papers*, 1829, ix 35-52, Holdsworth, vol. i, p. 131. There had also existed in medieval times special Forest Courts, but by the sixteenth century they were moribund, in spite of some attempts by Charles I to revive them. See Holdsworth, vol. 1, p. 104, *passim*. For their earlier history and their condition in late sixteenth and early seventeenth centuries see Manwood's *Laws of the Forest*.

⁵ 59 Geo. III, c. 44.

⁶ *Ashford v. Thornton* (1818), I.B. & Ald. 405.

⁷ 'La peine forte et dure' was abolished by 12 Geo. III, c. 120.

⁸ 21 Hen. VIII, c. 11.

⁹ Provided the offence is larceny, but not usually in cases of false pretences as against an innocent holder. Nor if the goods are currency. Compensation may,

Apart from larceny 'appeals' lay for rape, until the fifteenth century,¹ trespass if it amounted to mayhem² (i.e. wounding in a part of the body used in fighting), arson, murder, and treason.³ The chief interest of these appeals is that they preserved the idea of a personal struggle for revenge.⁴ The unsuccessful appellant and his supporter were liable to a year's imprisonment and to make compensation.⁵

Only those of murder were much used, and their personal character led to astonishing results. Until 1226 agreement with the relations to compromise an appeal stopped indictment for murder.⁶ Later Henry VII provided that acquittal or conviction on indictment should not bar an appeal,⁷ though this did not apply if the conviction was for manslaughter,⁸ nor was a pardon by the Crown any defence, and it was doubtful if it could remit the formal 'burning in the hand' in cases with 'benefit of clergy'.⁹ Moreover, not only was the penalty a right of the plaintiff's but he could and often did remit it for payment. Conveyancers even provided forms for such compromises.¹⁰ Indeed, it was generally merely to extract compensation that

however, be given from money taken on the thief at his arrest and the Police Property Act, 1897, 60 & 61 Vict. c. 30, allows courts of summary jurisdiction to hand over goods seized 'in connexion with any criminal charge' to the apparent owner who acquires an absolute title in six months. The thief can, of course, always be sued; but as regards innocent holders the rights of the victim of the theft, including in this term obtaining goods by false pretences, &c., are complicated by distinctions in the law of theft too technical to be dealt with in the space available.

See, however, *Phillips v. Brooks*, [1919] 1 K.B. 263, and *Lake v. Simmons*, [1927] A.C. 487, and *London Jewellers v. Attenborough*, [1934] 2 K.B. 206, *Cundy v. Lindsay*, (1878) 3 App. Cas. 459.

¹ Holdsworth, vol. II, p. 361. Holdsworth, *passim*, on appeals generally and Stephen, *H.C.L.* i 245, *passim*, ch. 3; very early for most purposes indictments took their place.

² Bl. 4 Com. 314.

³ In the case of treason it had lain in Parliament until Edward III if committed in England, and the constable and marshal's courts if abroad until Henry IV, but after that only in the common law courts.

⁴ See on appeals generally Hale, *P.C.* II. 249-57.

⁵ 13 Edw. I, c. 12; Bl. 4 Com. 316.

⁶ Holdsworth, vol. II, p. 257.

⁷ 3 Hen. VIII, c. 1.

⁸ Bl. 4 Com. 315, Lisle Kelyng. Rep. 88.

⁹ Bl. 4 Com. 316; *R. v. Burrridge*, 3 P. Wms., at p. 453. For Benefit of Clergy, *vide infra*.

¹⁰ See West, *Symbolæography*, sect. 474, ed. 1594. Holdsworth, vol. II, p. 363, cites two further forms from the 1615 edition of West.

appeals were brought, though occasionally vindictive relations would secure execution by an appeal after acquittal on indictment.¹ It must be remembered that no civil action for wrongs resulting in death existed until Lord Campbell's Act gave compensation to dependants.²

It is an extraordinary fact that down to the end of the eighteenth century a man who had been already tried for his life could for a year and a day after the alleged offence be put in peril with no other object than to extract money from him. But this was comparatively rare in practice.

Far more important than this method were the Criminal Informations.³ The origin of these is somewhat uncertain. However, they became important during our period.⁴ They consist of three kinds, *ex officio*, on information by the Attorney-General or some other officials, for serious offences,⁵ upon which the case proceeds as if on indictment; information in the nature of Quo Warranto⁶ for excess of jurisdiction; and information by the Master of the Crown Office at the instigation of private persons. These last were the most frequent, usually for offences for which informers would recover penalties. Blackstone⁷ treats them as very liable to abuse, a view which Stephen confirms.⁸ They certainly facilitated vexatious suits, and the laxity of minor officials in allowing their names to be used in these cases had to be restricted by Statute⁹ in 1692. The Master of the Crown Office and other lesser officials were forbidden to file

¹ See the instances cited by Holdsworth, vol. II, pp. 363-4, especially note 9, p. 363.

² 27 & 28 Vict. c. 96. The rule that civil wrongs die with the persons affected has since this was written been largely abolished by 24 & 25 Geo. V, c. 41.

³ 404 Stephen, *H.C.L.* i. 391 et seq.

⁴ Bl. 4 *Com.* 310; *R. v. Berchet*, 1 Showers, p. 106, *Eabery's Case*, 20 St. Tr. 856, 2 Hen. VII, c. 3, repealed by 1 Hen. VIII, c. 6. Blackstone says they always existed at common law. Elsewhere it is suggested that they date from Edward I, in one case that they owed their origin to a Statute of Henry VII, subsequently repealed, which allowed them in cases not affecting life and limb to be used before all justices.

⁵ Especially the Master of the Crown Office.

⁶ Bl. 4 *Com.* p. 312; see 9 Anne, c. 20, for a statutory check on the abuse.

⁷ Op. cit., pp. 310-12.

⁸ Stephen, *H.C.L.* i. 291-7

⁹ 4 & 5 W. and M., c. 18. Further restrictions on unjustifiable criminal proceedings were imposed in certain cases by 44 & 45 Vict. c. 60, s. 6, 32 & 33 Vict. c. 62, s. 18; 48 & 49 Vict. c. 69, s. 17, 6 Edw. VII, c. 34, 8 Edw. VII, c. 45, making the

'informations' without the leave of the court, and an undertaking by the private informer (in a bond of £20) to prosecute. After information the cases were and are tried in the King's Bench on the civil side. Nowadays they are only used for serious misdemeanours and they never were used for felonies. Both in the case of appeals and informations, except the more serious informations by the Attorney-General, the prosecutor was a private person.

In the remaining, and more important, cases of indictment and presentment the accusation was made by the sworn testimony of a jury. This system commenced with Henry II, who forced the counties to 'present' all crimes and pleas of the Crown to the Eyre, and by gradual extension became the normal method of commencing serious criminal cases.¹ Originally the Grand Jury presented from its own knowledge, and if it failed to present offences appearing on the Sheriff's or Coroner's or Hundred or County records the district was fined.² By our period, however, the 'County' had shrunk to twenty-three persons summoned by the sheriff from the whole county, of whom twelve had to be in agreement, and the Grand Juries who 'presented' to the Quarter Sessions were mainly composed of the local constables,³ and gradually no difference existed between the two. In theory they could speak of their own knowledge,⁴ though in practice they usually only examined evidence for the prosecution of

prosecutor in certain cases liable for costs unless a judge or the Attorney-General or Solicitor-General or some other officials in case of perjury ordered it or a justice of the peace committed in the ordinary way. If the J.P. refuses, the prosecutor can only proceed on being bound over to do so with the risk of having to pay costs if he fails.

¹ Bl 4 *Com.* ch 23, secs 1 and 2; 2 P. and M. p. 641, *passim*, Holdsworth, vol. i, p 298. The difference between presentment and indictment is merely verbal. 'Presentment' includes indictment or anything told by a jury by way of accusation or information. 'Indictment' is usually confined to the accusation of a grand or coroner's jury. See Blackstone, *loc. cit.*

² P. and M., *loc. cit.*, *passim*. Recently controversy has arisen as to the early relations of the 'roll' and record of the county; see G. Lapsley, *L.Q.R.* li, p. 299, for the most recent discussion of this.

³ *Vide supra*, p. 908, note 3, for the Grand Juries at Quarter Sessions in seventeenth and eighteenth centuries.

⁴ *E. of Macclesfield v. Starky*, 10 St. Tr. at p. 1355.

cases brought before them (for the last century this was practically invariably the case), and otherwise 'ignore', i.e. reject, the bill. This was the established practice during our period. Some attempts were made to make their deliberations public but failed.¹ During the seventeenth and eighteenth centuries they played a part of considerable importance in preventing unfair prosecutions, especially as they were composed of persons of greater substance, and therefore greater independence, than were Petty Juries, but when in the nineteenth century the preliminary inquiries of magistrates ceased to be partisan they became of little real value as they merely reaffirmed that probable grounds for prosecution existed after hearing the prosecutor's side only of the evidence, after the magistrates had decided that this was so, on hearing anything the accused chose to bring forward as well. Consequently a Royal Commission had recommended their abolition in 1913,² they were suspended during the War, and finally abolished in 1933 by 24 & 25 Geo. V, c. 36, and now indictable offences proceed to trial on committal by a magistrate after the preliminary hearing, the clerk of the Court filing the indictment.

Before this, however, the greatest change in practice was that before the nineteenth century most bills were preferred to Grand Juries by private persons; but after the creation of the new police and the office of Public Prosecutor most bills came to be preferred by officials.

Secondly, the nineteenth- and twentieth-century Statutes have permitted an ever-increasing number of indictable offences to be tried summarily if the accused consents, and it speaks well for the reputation of fairness of our Justices and Police Magistrates that about five-sixths of the indictable offences tried in the country are tried summarily.³

¹ Holdsworth, vol i, p 321, *passim*; *E. of Shaftesbury's Case*, 1 St. Tr. 771-2.

² *The Times*, Dec. 16, 1913. It must be remembered that they never did more than declare there were good grounds for suspicion, though they ought to be 'thoroughly persuaded of the truth of the indictment so far as the evidence goes'.

³ See for examples of these statutes 62 & 63 Vict. c. 22, 15 & 16 Geo V, c. 86, s. 24. See Kenny, *Outline of Criminal Law*, p. 441, for appeals, &c., against this and their infrequency. Of course the cases reported in the State Trials show the Government

Once the accused is indicted his trial is by Petty Jury. Originally¹ the accused had been sent to the ordeal, but in 1215 the Lateran Council forbade the clergy to take part in 'ordeals' and these 'Judgements of God' became impossible. Gradually, before our period, a second jury, the Petty Jury, came to try the case.² This, however, was not done without a struggle. The old law was that a man could not be convicted unless he pleaded. Hence arose the system of *la peine forte et dure*.³ Originally it consisted of close confinement until the accused agreed to plead, provided the jury found that he was 'mute of malice' and not really dumb. It developed into a system of starving and crushing to death.⁴ Until it was abolished in 1772⁵ men were found brave enough to withstand it until death to save their property for their families, which on the theory that felony and treason were offences against their 'lords' would be forfeited to the Crown⁶ if they were convicted.

This system of forfeiture continued until 1870,⁷ and in estimating the severity of the punishment for felony and treason it must always be taken into account. The idea still lingers on in the loss of public pensions and rights of office after conviction for some offences, which seems unjust as it inflicts greater loss on criminals who have served in public offices than on other equally guilty men.⁸ At first, when the *peine forte et dure* was abolished, the accused who refused to plead was convicted at once, but after 1827 a defence of 'not guilty' was entered for him, and the trial proceeded with.⁹

But when the trial by jury commenced and, during the first

nearly always interested, and until 1688 interfering. But these are important cases; prosecution for ordinary crimes was left to the party injured, although conducted in the name of the King. See also note 1, p. 911.

¹ P. and M. i. 39, 152, 224, 450, 11. 598, 619, 644, 650, on ordeals.

² Holdsworth, vol. 1, p. 324, *passim*.

³ 3 Edw. I, c. 12.

⁴ Holdsworth, vol. i, p. 326, *passim*; Hale, *P.C.* 11. 322; Co 2 *Instit.* 179, Stephen, *H.C.L.* 1. 298-300.

⁵ 1772, Holdsworth, vol. 11, *passim*; Maitland, p. 212.

⁶ Lands not held of the Crown were forfeited direct to the immediate superior after the Crown had 'wasted' them for a year and a day. This 'wasting' was naturally usually bought off by the Lord.

⁷ 33 & 34 Vict. c. 23. It was, however, often remitted as a matter of grace and had been abolished in some instances before.

⁸ Stephen, *H.C.L.* 1. 488, *passim*.

⁹ 7 & 8 Geo. IV, c. 28, ss. 2.

part of our period, it was strongly influenced by the idea that a jury ought to know the facts itself. Its failure to convict if the court considered that it ought to have done so was a refusal to inform the Crown correctly, consequently the jury would be punished;¹ and punishment was frequently inflicted by the Star Chamber and other offshoots of the Council. Statutory powers for the purpose were conferred on the Council of Wales under Henry VIII,² for instance, as well as by the judges of the Common Law Courts; for the Council until 1641 retained vague judicial authority as the successor of the Curia Regis supplementing that of the other courts which had also sprung from it.

At the same time, the Council was the chief protector of juries against intimidation by local magnates, but not until the beginning of the seventeenth century was it seriously doubted that a jury could be punished for its decisions. Sir Thomas Smith suggests that this ought to be only if they were corrupt, but in practice the authorities went farther.³ But after the Civil War, in *Bushell's Case*⁴ in 1670, it was established that the jury was never responsible in criminal cases⁵ for its verdict, though juries might be punished for other offences, such as eating after they had left the bar to deliberate. They were not allowed fire or refreshment until 1870, and then only at their own expense.⁶ In fact the idea that they were in a sense 'witnesses' dies hard. Coke denied that they could be dismissed and a new jury called if they failed to agree.⁷ At first they might be starved into coming to a decision, and in the famous Seven Bishops' Case the King's brewer was only persuaded to join the others in acquitting by refusing to allow him rest or

¹ Holdsworth, vol. i, p. 343, Hudson, *Star Chamber*, 72; *Throckmorton's Case* (1554), 1 St. Tr. 869, *Floyd v. Barker* (1608), 12 Co. Rep. 23.

² 26 Hen. VIII, cc 4 & 5

³ Smith, *de Republica*, 211, *passim*.

⁴ *Bushell's Case*, 1 St. Tr. 999. It is worth while noting that Vaughan C.J. based his decision partly on the view that they might have knowledge not open to the court, i.e. he practically drew the opposite conclusion from the theory of their own knowledge to that formerly reached.

⁵ For Civil Cases see Holdsworth, vol. i, p. 343; *Bright v. Eynor*, 1 Burr. 393.

⁶ 33 & 34 Vict. c. 17, s. 23. Now except in cases of treason, felony, and murder, they may be allowed to separate before they retire to consider the verdict. 60 & 61 Vict. c. 18.

⁷ Co. 3 *Instit.* 19.

sleep for nearly two days. The rule that they could be dismissed if they failed to agree was not finally settled until 1866.¹ Nor was it certain that they might not be directed to use their own knowledge until 1816.² Jurors of course do, in practice, use such knowledge, though, if they have evidence to give, since the eighteenth century, it has been the recognized rule that they ought to be examined in open court.³

At the same time it was in the seventeenth and eighteenth centuries that the reputation of the jury as the greatest protection of liberty rose highest. This was for three reasons. In the first place it was not until the Council had crushed the 'over mighty' subject and fallen itself in turn before Parliament that juries were to be relied upon. Secondly, they fitted in with the 'republican' tendencies of the popular party. Thirdly, they offered the only mitigation to the increasing severity of the law and its technicality. The first two of these facts requires no comment, the third is of vital interest. Actually trials were less fair than modern preliminary inquiries.⁴ Until the Civil War the position of prisoners differed in five ways from what it is now. Firstly, they had usually been in custody for some time, and the result of their examinations were produced in writing against them not only without the warnings prescribed nowadays, but after they had been conducted in an avowedly inquisitorial manner.⁵ Secondly, prisoners were not allowed counsel in cases of felony whilst their only form of 'appeal' would be on technical errors apparent on the Record or in Bills of Exception which no layman could hope to understand, or motions for retrial, or *venire de novo*, or *certiorari*, which required equal technical knowledge. This was remedied by degrees in the eighteenth century. Gradually counsel were allowed⁶ to advise and cross-examine witnesses as a matter

¹ *Winsor v. The Queen* (1866), L R. 1 Q.B. 289-390, *Doctor v Student*, pt. II, c. 52, Co. 3 *Instit.* 110; Hale, *P C.* 11. 294; Bl. 4 *Com* 36.

² *R. v. Sutton*, 21 M. & S. 532.

³ Holdsworth, vol. i, p. 347.

⁴ *Supra*, p. 297, *passim*.

⁵ Technically they were not evidence, not being sworn, just as the accused could not technically give evidence at the trial, but they were produced and so brought to the knowledge of the jury.

⁶ Stephen, *H.C.L.* 1. 424.

of grace, but not to address the jury, and finally in 1836 they were allowed to act fully.¹ Even then they did not exert themselves at first in the same way as now. They argued as well as they could for the prisoner, but they were careful to give the law its due. The rhetorical displays of such eminent counsel as Marshall Hall are a growth of the latter half of the century,² and more recent years.

Some other improvements were introduced earlier. In 1695 the prisoners were allowed lists of the jurors and witnesses and copies of the indictment in cases of treason³ five days before the trial. Later this was increased to ten days and extended to other felonies by 1708. In 1702 prisoners' witnesses were allowed to be sworn, though as the rules of evidence were more technical than useful, protection against perjury was slight, and the attendance of witnesses for the defence was not compellable until modern times. In recent years prisoners have been provided with legal advice when the court thinks necessary, at the public expense if unable to pay for themselves.⁴ But for the greater part of our period they were not allowed counsel at all, or at most to argue points of law after the verdict, not to assist them during the hearing of evidence or with the defence on the merits. Again, there were few rules of evidence, except the rule excluding the accused and all others who could be called interested parties. No insistence on original documents was made, this being particularly disastrous in the Popish Plot trials. Worse still, the confessions of accomplices were encouraged, and it was not until 1783 that it was established that they must be 'free, voluntary, and without compulsion'.⁵ Hope of pardon was constantly used as an inducement to give evidence against more important offenders, whilst a special type of 'appeal' of felony by convicted accomplices called 'approvers'

¹ 6 & 7 Will. IV, c. 114, s. 1.

² See Kenny, pp. 482 et seq., for the position of Crown counsel. The matter is now practically reversed, as it is they who now only try to see the law has its due without appeals to emotion, though they still have some privileges, e.g. last speech if the accused calls witnesses. The attorney-general in person always has this.

³ Stephen, *H.C.L.* i. 424, *passim*.

⁴ Poor Prisoners Defence Act, 1903, 3 Edw VII, c. 38 and further 23 & 24 Geo. V, c. 38, sec. 2.

⁵ *Warechall's Case* (1783), Leach 263.

whose own safety depended upon their securing the conviction of their former friends was regarded as particularly valuable.¹ Later confessions were almost too much suspected, but since 1859² they have been treated with a little more approval but only used with great caution. The whole proceeding was in fact as different to what we are used to to-day as it is possible to imagine. The judge questioned the prisoner, and usually until 1688 bullied him, a practice not entirely abandoned till 1760. Crown counsel were if anything worse. Earlier Coke's treatment of Sir Walter Raleigh was an exceptionally bad example,³ but it was really in accordance with the general practice to endeavour to secure a conviction and was mildness itself compared to Scroggs's conduct during the Popish Plot trials.

After the Revolution things became much better in this respect, but anything like the modern scrupulous fairness was entirely unknown. In fact the general impression we get from the State trials is that where the Crown was interested the chances for the prisoner were small. In ordinary matters the chances were always probably more equal. Even in Elizabethan times such cases were largely wrangles between the private accuser and the accused on more or less equal terms. In spite of this, the general conclusion must be that the accused seldom had a fair trial even if he got his deserts when it came to the sentence.

Against these procedural disadvantages juries were some protection since the issue had to be made clear to them, and they could allow for the disadvantages of the accused. But their value and impartiality can easily be overrated. Though the system of challenges by which the accused can reject a certain number of hostile jurors was some protection, the right of the Crown to order jurors to 'stand by' until the panel was exhausted largely offset it.⁴

¹ See Stephen, *H.C.L.* i 250.

² *R v. Baldrey*, 2 Din. 430. See for the rules now applied Kenny, p. 394.

³ Stephen, *H.C.L.* i. 383 et seq., and the cases there cited. A survival of the old idea is the rule that the judge can still call witnesses without the consent of the parties in criminal cases though not in civil. 62 J P. 232.

⁴ 20 in felony, 35 for treason, peremptorily, and any others for 'sufficient' reason. 'Sufficiency' is decided by two jurors already chosen. Challenges are practically

The total effect of this was that the Crown could, by ordering jurors known to be favourable to it, but against whom it might be difficult to show cause to stand by until the accused had exhausted his peremptory challenges, secure a favourable jury. Moreover, the jury was 'pricked' by the sheriff, and if he chose to empanel jurors all hostile to the accused, there was no remedy. Moreover, in the seventeenth and eighteenth centuries it was a common practice to secure in difficult cases a 'special' verdict. In this case the jury merely found special facts and the court determined whether these amounted to guilt or not. This is still possible, but no longer used as a means of enabling the court to deprive the jury of control of the real issue of guilt or innocence as it was especially in case of defamation until Fox's Libel Act. In the seventeenth and early eighteenth centuries this was monstrous, as it was customary in political cases for the Crown counsel to decide in consultation with the judges what the rules as regards forms of indictment to be applied in the ensuing case should be.¹

Finally, it must be remembered that the jury would be at least imbued with the prejudices of the day as fully as the judge. When religious or political animosities or superstitions were involved, a jury would be the last thing which would protect the accused. This is abundantly brought out by the witch trials of the seventeenth century, and by the Popish Plot trials. It must be remembered in this connexion that Catholics could not be jurymen, and that by numerous enactments they were brought within the purview of the criminal law.²

In fact juries were no safeguard until the later part of the obsolete in England, but in America constantly used, usually to the detriment of justice. Stephen, *H.C.L.* i. 302, *passim*, and Stephen, *H.C.L.* i. 419 et seqq., especially for the later cases 1688-1760: *Cowper's Case*, 13 St. Tr. 431, &c.; *R. v. Raleigh*, 1 St. Tr. 1-60. C. K. Allen, *Legal Duties*, p. 253: 'The Presumption of Innocence'

¹ See 32 Geo. III, c. 60. It must be remembered that many of the reforms of the eighteenth and nineteenth centuries were foreshadowed in schemes under the Commonwealth, but as these were abortive at the time we need not enter into them. See Stephen, *H.C.L.* ii. 208-10; Holdsworth, vol. vi, p. 412, *passim*. *Vide etiam infra*.

² Nonconformists suffered similar technical disabilities but annual Indemnity Acts and Occasional Conformity Acts relieved them during the eighteenth century of any real disability, and also the Toleration Act of 1689.

seventeenth century against government hostility, and never until the nineteenth century when popular feeling was aroused. They probably did serve a useful purpose in securing a fairly clear presentment of the issue in non-political and non-religious cases at the actual trial, which was not without value during a period when mere false Latin might vitiate a pleading and prosecuting counsel would deliberately mix up different 'counts',¹ i.e. statements of the offence or offences, in their indictments so as to confuse the defence. They had to be directed as to the facts in an intelligible way, or their verdict would be a gamble for the prosecution as well as the accused, and this necessity might clarify the situation, but it would not prevent an honest man from condemnation because of a technical error in defence, or a rogue escaping through technical errors in his indictment.²

Their greatest service was to mitigate the law by finding false verdicts when the penalties were inhumane. Indeed, by the end of the eighteenth century it became quite usual to give obviously false verdicts on the value of stolen articles, so that the offence should be merely petty larceny, and not involve the death penalty.³

During the nineteenth century the technical evils were steadily swept away. The law as to 'venue'⁴ was reformed, the rules of evidence were developed until it was almost impossible for any unfair evidence to be produced such as 'hearsay' evidence or evidence secured by improper pressure. Since then the technicalities have been swept away to a great extent. Thus the rules of 'joinder' of issues have been simplified⁵ and many cognate

¹ Stephen, *H.C.L.* i 290, note 1.

² Stephen, *H.C.L.* i. 280, *passim*.

³ On the advantages and disadvantages of jury trial after the sixteenth century see Holdsworth, vol. ix, p. 230, *passim*.

⁴ 1 e. place where the jury came from and the crime was said to have been committed. See for some of the earlier difficulties Blackstone, iv. 302, *passim*. The utmost technical accuracy was required, and even as late as 1820 it was possible for counsel to argue in *R. v. Burdett* 4 B. & Ald. 95 that a seditious libel could not be prosecuted because written in one county and published in another, and no Grand Jury could therefore indict for both writing and publishing as they could not present facts outside their counties, although in the end the argument was rejected.

⁵ 'Joinder', i.e. joining two felonies in one indictment. But see Stephen, *H.C.L.* i. 290, *passim*, who complains of the continual difficulties of pleading in 1882. Further improvements have been made since by the Criminal Law Amendment

offences have been made alternative, so that a person charged with one can be convicted of the other. Persons accused of greater offences can in some cases be convicted of lesser, e.g. when charged with larceny by a trick they may be convicted of obtaining goods by false pretences, the first being a felony and the second a misdemeanour. Indictments have been simplified, and elaborate precautions taken to secure that the jury shall have the real issue brought to their minds. Most careful precautions over the reception of evidence and unfair questioning of the accused,¹ and to avoid any attempt to work on the feelings of the jury against the accused, whilst allowing sympathy in his defence, have been established by enactments or custom, so that a trial in England is as fair as can well be imagined. Above all, anything in the way of mitigating circumstances both at the trial and after conviction and before sentence is most carefully produced, the police assisting the defence in every way they can. The Public Prosecutor will also advise the Home Secretary with the same object even after conviction.

This change mainly took place between 1760 and to-day. By 1822² a French observer was able to comment on the extreme mildness of a prosecuting counsel and the abstention of the judge from anything which might prejudice the accused. The other changes have been elaborated since then. The rules of pleading were simplified by Statutes commencing with the Criminal Justice Administration Act³ and culminating with the Criminal Justice Act 1925.⁴ The old rule that accessories could not be convicted until the principal had been convicted was abolished by the Accessories Act,⁵ and now any one charged as a principal if found to be an accessory can be convicted as such. Amendment of pleading in certain cases when it would prejudice the accused not to allow it, notably over documents,

Act, 1885, Oaths Act, 1888, Criminal Evidence Act, 1898, Children's Act, 1908, Criminal Justice Administration Act, 1914, and Criminal Justice Act, 1925. But it is impossible in the space at our disposal to go into details of practice.

¹ He was allowed to give evidence, but not compellable for the first time in 1898 by the Criminal Evidence Act. The Prosecution may not comment if he does not offer to give evidence, but the jury usually hold it against him.

² Cotter, cited Stephen, *H C L.* i. 429.

³ 14 & 15 Vict. c. 55.

⁴ 15 & 16 Geo. V, c. 86.

⁵ Accessories Act, 1861: 24 & 25 Vict. c. 94.

was permitted, first for misdemeanour, and later for felonies. Careful rules that only the 'best evidence', i.e. original documents or certain certified copies,¹ were enacted, and finally by the Criminal Appeal Act² the Court of Criminal Appeal was enabled to consider before altering a sentence whether substantial justice had been done.

The general result can be stated in this way. Down to the close of the eighteenth century whilst any error of pleading, a grammatical error, a misnaming of the accused or his victim, a failure to express exactly the 'venue', for instance, to say, 'there and then assaulted and stabbed and cut and slashed' instead of 'there and then assaulted and stabbed, and there and then cut and slashed',³ or a failure to state the exact offence (which is often doubtful before trial), would be disastrous to the case,⁴ there was little if any safeguard against misreception of evidence, perjury, or prejudice, nor, though evidence of character⁵ was soon allowed, could mitigating circumstances avail. Indeed, until 1827 the judge was usually bound to give the maximum sentence. In fact merits played very little part except so far as the jury might base its verdict on its views of natural justice and disregard the law. Now, on the other hand, by gradual reforms the technicalities have been swept away and instead of favouring the prosecution the rules of evidence and procedure have been so framed as to protect the accused against any unfair treatment and secure that everything which can be said in his favour shall be brought out.

Turning to the law itself there can be no doubt that it increased in severity from Tudor times until the nineteenth century. At Common Law there were eight capital offences, by the time of Blackstone⁶ 160 felonies without

¹ Cf. Bank Books Evidence Act, 1879. 42 & 43 Vict. c. 11, &c.

² Criminal Appeal Act, 1907: 7 Edw. VII, c. 23. ³ Stephen, loc. cit., *supra*.

⁴ e.g. larceny by a trick or obtaining by false pretences: even now the distinction is impossible to explain in a few words and I have found it a constant stumbling block to pupils.

⁵ *Turner's Case*, 6 St. Tr. 613. But to offer it allows the prosecution to produce evidence of general bad character, which is not otherwise allowed.

⁶ See Bl. 4 *Com. ed.* 2, p. 18, 1769, *passim*, and also for remarks on the excessive number of death sentences. All felonies without benefit of clergy were capital.

benefit of clergy, and the number was subsequently increased. By a series of Statutes commencing in 1827 and culminating in 1865 they have been reduced to four: treason, murder, the burning of naval docks and arsenals, and piracy with violence. This statement of the growth of capital offences must be taken with care. The majority of the new offences were elaborations of old made necessary by the technical forms of pleading and the haphazard methods¹ of legislation employed. Grand larceny, i.e. stealing goods over 13 pence in value, had always been capital, but endless enactments were needed to make what were in effect thefts but owing to technicalities were not considered offences at all, and the law is unnecessarily technical and confused to this day.

It is true that those actually condemned to death were not always or even usually executed. The judges would sentence to death and the sentence be commuted to imprisonment or transportation. Later they recorded the sentence without pronouncing it with the same result.² Between 1853 and 1854³ this sentence of transportation was, in the majority of cases, when the Colonies refused to receive criminals, changed to penal servitude. Moreover, earlier the Record was regularly examined by the Home Secretary and the Sovereign at the beginning of each year and mercy extended in suitable cases. On the accession of Victoria decency⁴ forbade her to act personally but the practice of review continued.

In spite of this during most of our period severity increased. At the beginning of our period it was brutal, and it got worse. To understand this we must consider two things: felony, and

¹ A good example of this is given in Bentham's *Comment on the Commentaries*, Intro., p. 2. Maiming cattle had been made capital by Statute in 1770, but the Statute instead of using a general word, such as 'cattle', proceeded to enumerate the beasts as protected, and a new Statute still incomplete was required to add to the list. Further, owing to the strict technical rules as to what amounted to larceny, embezzlement, larceny by a bailee, obtaining goods by false pretences, fraudulent conversion, &c., were not offences at all at common law and had to be made such by successive statutes, the great Larceny Act, 1916, being the last attempt to reduce this confused subject to order.

² Stephen, *H.C.L.* i. 472, *passim*, 4 Geo. IV, c. 48.

³ *ibid.*

⁴ Stephen, *H.C.L.* ii. c. i. 88.

the benefit of clergy. To define felony is impossible. At Common Law¹ there were eight felonies: murder, manslaughter, rape, burglary, arson, robbery, larceny, and mayhem.² These with the addition of treason³ were all capital offences, at least from Richard I, except mayhem and petty larceny, i.e. theft of goods under 13 pence. But at Common Law except treason, highway robbery,⁴ and arson of dwelling-houses they were all subject to benefit of clergy. In the sixteenth, seventeenth, and eighteenth centuries an enormous number of felonies were created by Statute, usually without 'benefit of clergy', and treason greatly extended by forced constructions, yet morally many far worse offences in the way of frauds were and are left as misdemeanours which were punished by imprisonment at most, until now we can only say that felonies are those offences which the legislature on Common Law has, on purely arbitrary principles, declared to be such.⁵

The chief increase of severity was the diminishing of 'benefit of clergy'. This originated in the claim of the Medieval Church to exclusive jurisdiction over clerics. Secured for those in full Orders for felony by the murder of Becket it had been extended to practically all who could read, except later *bigami*, i.e. those who married twice, not those who married whilst having a wife living, but reduced by the rule that it had to be claimed after indictment, and if granted *absque purgatione* entailed imprisonment for life by the Bishop.⁶ The Renaissance destroyed its principle. In 1487 Henry VII prescribed branding with the letters M or T (for murderer or thief) and whipping, before surrender to the Bishop, and in the case of second offences actual Orders had to be proved. This was abolished by Henry VIII but revived by implication⁷ by his successor, who conferred a

¹ Co. 4 *Instit.* 726.

² Wounding in part used in fighting, e.g. front but not back teeth.

³ Treason is strictly the highest kind of felony, but it has always been treated separately since the thirteenth century.

⁴ Hale, *P.C.*, pp 333 and 350.

⁵ Kenny, p. 91

⁶ Stephen, *H.C.L.* i. 461; Pro clero: 4 Edw. I, c 5; 18 Edw. III, c. 2; 25 Edw. III, st. 3.

⁷ 28 Hen. VIII, c. 1, s. 7, 32 Hen. VIII, c. 3, s. 8, 1 Edw. VI, c. 12, s. 14.

similar privilege on peers whether they could read or not, with no difference for second offences¹ and abolished the restriction of *bigami*. Elizabeth in 1576² abolished 'purgation' and substituted a year's imprisonment by the bishop. James I³ in 1622 extended the privilege to women for grand larceny under 5s., but until 1692,⁴ when they were put on the same footing as men, they would be condemned to death for any theft over that amount.

In 1705 reading was made unnecessary, but previously the clerk who tested the prisoner's ability to read might be fined if his mercy overcame his devotion to the truth.⁵ As a result it ceased to be the privilege of class, and became a general principle limiting the severity of the law. It is not surprising to find attempts to limit its operations. In 1707⁶ clergyable larceny was punished with seven years' transportation instead of branding and whipping. The branding had long become of little importance as the iron was not hot, and after 1779 it was abolished.⁷ But the chief remedy was found in making new offences, or forms of the old offences, without 'benefit of clergy' so that the nominal punishment was death. There was no system in this; though naturally more dangerous offences were usually treated in this way. Thus piracy⁸ was made without benefit in 1536. Riot, a great danger to the whole State until the nineteenth century at least, had constantly been legislated against and punished by special 'Commissions of Trailbaston' in the Middle Ages,⁹ and made treason in many cases.¹⁰ After the Jacobite Rising of 1715 the famous Riot Act made it felony 'without benefit' for twelve persons to remain

¹ For the abuses to which this led see the two trials of Lord Mohun, 26 St. Tr. 132.

² 18 Eliz. c. 7, sess. 7, s. 2 and 3.

³ 21 Jas. I, c. 6.

⁴ 4 W. and M., c. 9.

⁵ 5 Anne, c. 6, secs. 7 and 8. See the case in Kelyng Rep., p. 51, cited Holdsworth, vol. vi, p. 630.

⁶ 4 Geo. I, c. 11; 6 Geo. I, c. 23.

⁷ 19 Geo. III, c. 74, s. 3.

⁸ 1536. Stephen, *H.C.L.* i. 465. There is some doubt how far this exclusion went.

⁹ Holdsworth, loc. cit., *supra*.

¹⁰ 13 Hen. IV, c. 7; 2 Hen. V, st. 1, c. 8, 3 & 4 Edw. VI, c. 5, 1 Mary, sess. 2, c. 12, 1 Eliz. c. 16, Stephen, *H.C.L.* i. 203, *passim*. Commissions of Rebellions and

together for an hour after the proclamation it set out had been read.¹

But on the whole I do not think the Tudor Statutes were unduly harsh, allowing for the ideas of the time. They dealt² mostly with grave crimes of violence, and in that turbulent age it was not unreasonable to threaten death in such cases; those against coinage offences are to some extent an exception, and even here we must remember a currency crisis was occurring which endangered the whole country. Two Statutes³ at least of Elizabeth, however, have not this excuse. The first deprived of the 'benefit' those who stole secretly from the person, but was construed as limited to cases of grand larceny, and the other, any one being found in the company of Egyptians, i.e. gipsies,⁴ for one month.

The great increase of capital offences comes later, and we can only give examples. Thus under Charles II⁵ we find stealing cloths from the racks or any of the King's stores deprived of 'clergy'. Under George I⁶ it was made without 'benefit of clergy' to break the mound of a fish pond, so that the fish escaped. Under George II⁷ the same penalty was imposed on wrongfully cutting down a cherry tree in an orchard, and under George III⁸ to steal letters from the post. Under George II sheep-stealers were deprived of the 'benefit';⁹ and statutes commencing in the sixteenth century and receiving continual additions until the late eighteenth, turned different types of forgery into capital offences without 'benefit of clergy'. At Common Law they were only misdemeanours, but Elizabeth

Martial Law were also used by the Tudors and Stuarts. The legality of this was disputed. They were often oppressive and condemned by the Petition of Right. 3 Car. I, c. 1. After the outbreak of the Civil War they disappeared. The Bill of Rights made martial law 'as used of late' illegal in England. Now it is 'tolerated' only if real law is impossible through war or other disorder. Dicey, *Constitutional Law*, appendix on martial law.

¹ 1 Geo. I, st. 2, c. 5. It has been frequently re-enacted. The latest measure on the subject is the 1920 Emergency Powers Act, 10 & 11 Geo. V, c. 55.

² Stephen, *H.C.L.* i. 464, *passim*.

³ 4 Eliz. c. 4, 5 Eliz. c. 20.

⁴ 5 Eliz. c. 20, see Bl. *Com.* vol. iv, p. 11, and ch. 13, sec. 4, for legislation against gipsies. ⁵ 22 Car. II, c. 5. ⁶ 9 Geo. I, c. 22. ⁷ 31 Geo. II, c. 42.

⁸ 52 Geo. III, c. 143. Repealed 5 & 6 Will. IV, c. 18.

⁹ Stephen, *H.C.L.* i. 469. Illiterate persons had been hanged formerly if the sheep was worth more than 1s. 1d.—which it normally would be.

had punished them in some cases with double costs and damages, the pillory, cutting off ears, slitting nostrils and burning the wounds, forfeiture of all goods and chattels, and imprisonment for life.¹

Another instance of the wholesale increase of capital offences without the 'benefit' was the Black Act of 1722,² directed against poachers, which, as Sir James Fitz-James Stephen has pointed out, created no less than fifty-four capital offences.³ Thus it is not surprising to find that whilst the common law only excluded two cases apart from treason from the 'benefit' Blackstone knew of 160, although it is not certain if he included those under the Black Act as separate instances or not.

However, at the same time that the number of cases in which 'benefit' was excluded were increased the technicality of the rules governing exclusion were also increased. The clauses excluding 'benefit' were strictly construed, and as by the old rules of procedure a criminal might be⁴ either convicted and pardoned, convicted and attainted, challenge too many jurors and be convicted, 'stand mute', or plead guilty, and if the Statute depriving him of the 'benefit' only mentioned some of these cases it did not apply in the others, loopholes were left.

Judges used the discretion given them by the technicality of

¹ 5 Eliz. c. 14; Stephen, *H.C.L.* iii. 180, *passim*.

² 9 Geo. I, c. 27. Game laws were one of the worst features of the development. They do not come from the old Forest Laws, but gradually from 1389 (13 Ric II, st. 1, c. 13) to 1706 (5 Anne, c. 14) they confined sport to the rich. Finally, the qualification for sporting rights was fifty times the county franchise. Except deer-stealing, and offences under the Black Act, they were not overwhelmingly severe until 9 Geo. IV, c. 69, which made night-poaching punishable with seven years' penal servitude at the third conviction. Four years later the property qualification was abolished and the right to sport attached to the right to occupy the land. But much of the old ridiculous severity against night-poaching remains. Holdsworth, vol. 1, p. 94, *passim*, and vol. iv, 409, *passim*; by the sixteenth century the old forest law had largely broken down although some attempt was made to revive it by Charles I. It played, however, little part in the general law and police of the country during our period except to preserve some anomalies—as it does to this day where chace rents exist—and therefore considerations of space have precluded its consideration here. Manwood should be consulted by any one desiring to know the details in the last days of their importance, and earlier history.

³ Stephen, *H.C.L.* i. 472.

⁴ *Ibid.*, p. 466.

the law, on the whole, in favour of mercy; and jurors were sometimes sympathetic as we have seen.¹ Moreover, it is abundantly clear that these death sentences were never intended to be carried out in the majority of cases. Nevertheless, though there are no reliable statistics on the subject, there is no doubt that the carnage was terrible; Coke even admits this, though somewhat typically he deprecates too easy pardons as leading others to risk the full penalty. Probably twice as many persons suffered death annually at the end of the eighteenth century as at the end of the nineteenth,² with a population not a third as great, and it has been calculated the annual number was 800 at the end of the sixteenth century when the population was much smaller.

This points to an actual relaxation in practice whilst the Statute law was gaining in severity. The difference in tone of Blackstone's remarks³ on criminal punishment from those of Coke or even Hale points in the same direction. This softening of practice, whilst Statute law hardened, is best explained by the introduction of the system of transportation. Banishment was from early times an old alternative to hanging.⁴ Until Charles II, when a conditional pardon was granted, imprisonment, whipping, fine, or mutilation were the only substitutes, but under Charles II⁵ transportation came into use and obtained full recognition under George I.⁶ The rules, however, were varied. What term was imposed was largely a matter of discretion. But in 1768⁷ it was fixed as fourteen years wherever not provided otherwise. The judges recommended to mercy after pronouncing sentence of death, and the Sovereign on the advice of his Home Secretary gave the order for transportation. In 1823⁸ this was put on a more regular footing and judges were

¹ Holdsworth, vol. vi, p. 630, *passim*, and *supra*, p. 95, note 3.

² About 100 at the end of the nineteenth century, by 1931, although 101 known murders occurred and 57 arrests were made, only 6 were executed, all others being discharged, acquitted, found guilty but insane (15) or the like. *Vide* Cmd. 4360. Since 1931 expectant mothers (who had always been respited in practice) cannot be condemned to death: 21 & 22 Geo. V, c. 24.

³ Blackstone, 4 *Com.* pp. 17 and 18

⁴ Stephen, *H.C. L.* i. 491 et seq.

⁵ 31 Car. II, c. 2, ss. 13-14.

⁶ 4 Geo. I, c. 28.

⁷ 8 Geo. III, c. 15.

⁸ 8 Geo. III, c. 15.

authorized, except in cases of murder, to refrain from pronouncing sentence of death, and 'record' it instead; which acted as a pardon conditional on transportation.¹ This was subsequently repealed and re-enacted twice,² and governed the law during the nineteenth century whilst the capital offences were gradually reduced.

It is in this system of long and comparatively arbitrary terms of imprisonment and transportation that we find the real increase of severity in the eighteenth century rather than in the nominal increase of capital offences. Even in the nineteenth century it was used ruthlessly. After the agricultural riots in 1832³ it has been calculated that nearly 600 persons were transported, not counting those hanged, for facts no more, in the majority of cases, than what we should now call demonstrations by the unemployed, but which then were treated as riots.

Moreover, it is not only in the increased number of felonies treated capitally that the severity increased. Larceny, when admitted to benefit of clergy, was punished with transportation for seven years instead of whipping and branding, and considering the scant chances of return, the dreadful conditions of the penal settlements, and the horror of separation from their homes, felt especially by the poor, this was surely worse than branding and whipping. Moreover, misdemeanours⁴ were multiplied with various penalties. Fine and imprisonment, pillory and whippings, were the usual punishments. After the Revolution it was enacted that fines should not be excessive, but no general rule was laid down. The main defect was lack of any proportion in the different punishments. The increase in number was inevitable with the increase of commerce and the complexity of society. In capital cases in addition to hanging, 'drawing and quartering' were legal until 1814 for treason, and

¹ Absolute pardons were of course possible.

² 6 & 7 Will IV, c. 30, s. 2; 24 & 25 Vict c 100, s 2.

³ Hammond, *The Village Labourer*, 284, *passim*.

⁴ Here again the influence of the Star Chamber was vital as most misdemeanours were also 'torts', i.e. civil wrongs, and it was the Star Chamber which commenced treating them as crimes. Their details are too technical to be treated here; they cover most forms of fraud and the like into which violence does not enter. See Holdsworth, vol. viii, p. 306, *passim*, and vol. ix, ch. v.

even then after death could be inflicted on the corpse. Actually they had not been inflicted until the criminal was dead as a result of the hanging for many years before. Mutilation was legal but not practised in the seventeenth century, though women guilty of petty treason, which included murder of husband or master, and coinage offences, were liable to be burnt. Usually they were strangled before the flames reached them, but this depended on the humanity of the executioner, and in one case in 1790 he was driven back by the flames before he had strangled the woman.¹ Hanging in chains, anatomizing, and shortening the respite before the execution were also used to increase the penalty. Henry VIII outdid all this by prescribing boiling alive for poisoners; this was repealed by Edward VI.²

On the whole, therefore, the law grew more severe even if punishment in practice did not keep pace with it, and remained entirely incoherent. There was no system at all in the penalties, or the degree of discretion given to the judges, and it was not until 1848 that they were allowed to give lesser periods or two years' imprisonment when seven years' transportation was the maximum as a general rule, though in some cases their discretion had always been absolute.³

Yet so far as the courts were concerned the general rules of criminal jurisprudence were fixed by the time of Hale and some improvement took place in the eighteenth century. In particular the idea that guilt must depend on wrong intention was clarified, but it was not until the nineteenth century that any systematic reform was introduced. Then the whole law was reformed and largely codified.⁴ We cannot deal with this in

¹ Stephen, *H.C.L.* 1. 477. Technically he was guilty of murder if he exercised this mercy, but I know of no case in which he was prosecuted for it.

² 22 Hen VIII, c. 9, 1 Edw. VI, c. 12.

³ 9 & 10 Vict. c. 24, s. 1; Stephen, *H.C.L.* i. 480. Criminal Law Commissioners, 4 and 7 Reports, 1839 and 1843.

⁴ Besides the Acts dealing with the Procedure mentioned above the chief Acts are: Criminal Law Amendment Act and the Larceny Acts, Malicious Damages Act, Coinage Act, Offences against the Person Act of 1861, Prevention of Crimes Act, 1879, Indictment Act, 1915, Larceny Act, 1916, Criminal Justice Act, 1925, Criminal Law Amendment Act, 1885, 48 & 49 Vict. c. 69, 52 & 53 Vict. c. 12;

detail. In effect it made the law merciful and consistent without altering its principles. But the process of introducing mercy was surprisingly slow. It began in 1827 with the abolition of 'benefit of clergy' and of the death penalty unless the offence was already without benefit of clergy. Other felonies in general were punished with seven years' transportation or two years' imprisonment for the first offence and four years' imprisonment and up to three whippings for the second offence.¹ From then on the number of capital offences was steadily reduced and by the Consolidation Acts of 1865 were limited to the present offences: treason, murder, piracy with violence, and burning naval dockyards. Transportation also was abolished, owing to the objection of the Colonies, and penal servitude substituted.²

Indeed, it was in methods of punishment that the greatest reforms took place, for down to the nineteenth century prisons were places of indescribable horror, overcrowded, insanitary, undisciplined. Prisoners of all kinds were mixed together. Jailers were brutalized and mercenary. They purchased their offices and for money provided the well-to-do criminal with comparative comfort, whilst often endeavouring to rid themselves of unprofitable prisoners by killing them with brutality.³ The debtor, the drunkard, and the felon shared the same fate. If anything the debtor was worse off, for he was expected to feed himself and not infrequently starved. Readers of Dickens are familiar with the mixture of licence and misery which prevailed in debtors' prisons even in his day, when things had improved. Criminals, except that they were separated from

6 & 7 Edw VII, c. 32, 1 & 2 Geo V, c 6; 2 & 3 Geo. V, c 20, 4 & 5 Geo. V, c 58, 7 Geo IV, c 64; 7 & 8 Geo. IV, c. 28, c 29, and c 31; 6 & 7 Will IV, c. 62; 6 & 7 Vict. c. 98 (Slave Trade Act), 9 & 10 Vict c 62, 11 & 12 Vict. c 19; 11 & 12 Vict. c. 42, c. 43, 14 & 15 Vict c. 100, 16 & 17 Vict. c. 20; 20 & 21 Vict. c. 54, and other Statutes mentioned above.

¹ 7 & 8 Geo. IV, c. 28. The chief Acts are 7 & 8 Geo. IV, 9 Geo. IV, c. 29, and c. 30; 11 Geo IV and 1 Will. IV, c. 56, 2 & 3 Will. IV, c. 62; 5 & 6 Will IV, c. 81; 7 Will IV and 1 Vict. c 84; 4 & 5 Vict. c. 38, 9 & 10 Vict. c. 10, 24 & 25 Vict. c. 94.

² 16 & 17 Vict. c. 99; 20 & 21 Vict. c. 3, 27 & 28 Vict. c. 47.

³ Cf. 17 St. Tr. 297-8. These trials led to an Act in 1729 attempting to reform the whole matter. But it was quite ineffective.

their families most of the time they were in prison, were in much the same condition, though, of course, transportation or penal servitude in the hulks was worse.¹

The Reform was brought about by two influences. Humanitarians of whom Howard and Romilly are the most famous strove to secure greater humanity, and criminologists to secure more reasonable punishments. As a result, after a series of commissions, prisons were reformed by the middle of the nineteenth century, many prisons were suppressed and all reorganized under the Prison Commissioners.²

Reform in the treatment of criminals has been influenced by different theories, however, and progress has not been along uniform lines, and it is remarkable that foreign theory and practice has had more influence here than on almost any branch of our legal order.

In the first stage the ideal was to reform the prisons, so that they should be no longer schools of crime and hotbeds of disease, and at the same time to reduce punishments to something more nearly proportionate to the offences. The movement for this was guided partly by the influence of humanitarians of the type of Howard and Romilly, who hoped to make prisons places of reform where orderly habits would be inculcated, and partly by the psychological theories of Beccaria³ and Helvitius, which also influenced the humanitarians and were popularized in England chiefly by Bentham and his followers. These latter also believed in reforming by means of prison

¹ Howard, sheriff of Bedfordshire in 1773, really began the main reform. Practically the whole of his life was devoted to reform, and from the first he endeavoured to get the jailers paid by fixed salaries. The chief Acts passed through his influence were 22 Geo III, c. 64 (1782) and 24 Geo III, c. 54 (1784), but real reform waited until the nineteenth century, though these earlier Acts did much good. See Howard's numerous works for details of the old system, especially his *State of Prisons of England and Wales*.

² 4 Geo. IV, c. 64; 28 & 29 Vict. c. 126 (1865), were the chief earlier Acts.

40 & 41 Vict. c. 21 (1877) reduced the number of prisons and created the Prison Commissioners. The earlier Acts distinguished between houses of correction for correcting criminals and prisons for detaining any one, but in practice the distinction was not kept to, as usually sentence could be carried out in either. The subsequent Acts are too numerous to mention here.

³ The so-called *Scuola Classica*

discipline, but added to the general belief of the other humanitarians in the value of a strict but orderly discipline an elaborate system of beliefs based upon the assumption that men must react inevitably in accordance with the balance of pleasure and pain; and that, therefore, by segregating prisoners, and subjecting each individual to constant surveillance so that every undesired action could be met with its appropriate pain, and every advance with its appropriate reward, reform might be made inevitable.

Naturally this programme could not be carried out in full. Solitary confinement¹ was too likely to produce insanity if effective, and the cost of constant supervision was prohibitive. But these doctrines did bring about a system of rigid discipline, constant order, and, in so far as hard work and strict rules could do so, tended either to crush the criminals' spirits and force them into a mould of at least apparent respectability, or to brutalize them completely.

Down to the seventies of the last century, therefore, imprisonment, after the initial reforms to which we have referred, was an undoubtedly severe punishment, and a strong deterrent especially when combined with flogging. Crime, especially crimes of violence, became much less frequent, and to some extent recidivism declined. This progress, however, was probably due far more to the improvement of the police system, in its preventative and detective branches, the better lighting of towns, the decrease of drunkenness, the spread of education, and other forms of social progress, than to the effects of prison discipline.

In the last quarter of the nineteenth century further progress in humanitarianism came to the fore. The idea that the criminal could be reformed by iron discipline gradually and increasingly gave way to the belief that criminals required individualized treatment, and that reform was more likely to be produced by endeavouring to enable them to recover their self-respect, by training them, and by providing them with

¹ Solitary confinement reached its greatest extension in 1865 when by 28 & 29 Vict. c. 126 'separate' confinement was made normal in the case of imprisonment. Since then opinion has turned against it, and it has practically disappeared, at least in the old severe form.

additional interests. Under the influence of these views almost all the old harshness of prison discipline has gradually been abolished—even hard labour has ceased to be merely picking oakum or breaking stones—and efforts to uplift the criminal by concerts, lectures, training in handicrafts, &c., have been made.

This movement also received some stimulus, apart from considerations of mere humanity, from the doctrines of the Scuola Positiva of Italy. This school founded by Lombroso, Colajanni, and Ferri taught that criminal types could be distinguished by their physical and later psychological characteristics, and should be treated accordingly. Some they regarded as incorrigible, instinctive, and insane criminals, and taught that they should be permanently segregated, some of the extreme adherents of the school advocating this for persons having the required physical characteristics even before it was shown that they had committed any offence, on the grounds that, if they had not done so yet, with such characteristics they would inevitably do so in time. Others they regarded as corrigible, especially by humane discipline and training, provided they had not become so set in their habits as to have passed into the incorrigible class. Habitual thieves supplied the greatest number of this last class.

As encouraging humanity and the treatment of crime as at least analogous to disease, requiring sympathy as well as firmness, and also as encouraging such remedies as preventative detention of habitual drunkards and drug takers, and probation rather than imprisonment for less hardened offenders this school had some influence, but its scientific pretensions were attacked and exploded almost from the first,¹ and it is now generally

¹ The attack began in Germany with Baer's *Der Verbrecher in anthropologischer Beziehung* and Aschaffenburg's *Das Verbrechen*. Even Ferri realized that psychological as well as physical characteristics had to be considered. See Ferri, *Criminal Sociology*, p. 3

See also Dr. Goring, *A Prison Chaplain*, p. 66. The principle of 'individualization', however, has held its own ever since Wahlberg's *Prinzip der Individualisierung in der Strafrechtspflege*.

For a further account of the Scuola Positiva see Kenny, *Journal of Comparative Legislation*, 1910, p. 220, *passim*, and for a simple account of problems of punish-

recognized that the criminal type cannot be ascertained by examining physical characteristics.

But the idea that crime is a disease, and that reform rather than punishment should, in most cases, be the object of the law, has lasted on, and almost every change has been in the direction of greater humanity, especially in the treatment of youthful offenders.¹

The result of these reforms is difficult to estimate. From 1857 to 1920² the number of indictable offences steadily decreased, falling by nearly one-half.³ In 1926, however, it rose steeply, but the general strike made that an exceptional year, just as the end of the war in 1918—possibly due to the absence of so much of the younger male population—was exceptionally good. At the same time recidivism, i.e. the tendency to repeat offences, has risen as high as 70 per cent. in the case of men and 87 per cent. in the case of women sent to prison.⁴ On the other hand, non-indictable offences show an immense improvement in the last fifteen years, especially as regards drunkenness⁵ and offences such as common assaults arising from it.

On the whole, however, it would seem that prison reform has had much less to do with these improvements than general social amelioration and increased police efficiency; especially as of late the increased labours of the police and the increased skill and opportunities of escape of wrongdoers have been accom-

ment generally Kenny, *Outlines of Criminal Law*, ch. xiii. Gneist is still the chief foreign authority on the English system. See also Tarde's *La Philosophie pénale*; A. Prins, *La Science pénale*, Sen, *From Punishment to Prevention*, &c., and J. L. Gellan, *Criminology and Penology*. The literature of the subject is, however, too vast to discuss or enumerate here, but amongst recent works see Blain, *The Future of Crime*, G. Godwin, *Mostly the Truth about Borstal*; Jerome Michel and Mortimer K. Alden, *Crime, Law, and Social Society*, Vas, *Crime and Punishment*, &c.

¹ *Vide supra*, and Children and Young Persons Act, 1933.

² 1862-6, 2,860 per million of population; 1920, 1,612.

³ The total number of prisoners per 100,000 of population is estimated to have fallen from 555 in 1913-14 to 125 in 1931, but this is largely accounted for by the increased use of probation, &c.

⁴ The seriousness of this in the case of women is largely explained by the fact that 48 per cent. of the women sent to prison are habitual drunkards—a type of offence in which recidivism is always high.

⁵ Average 1910-14, 193,354 drunks, 1931, 46,846. See note 1, p. 923, *supra* and notes 1 and 3, p. 967, *infra*, for the sources of these statistics.

panied by an increase of theft and similar crimes both absolutely and in proportion to those solved; whilst it has been in the more easily detected offences that the greatest improvement has taken place,¹ as regards more serious offences.

The greatest progress has been made in the treatment of juvenile crime. The records of industrial schools, Borstal schools, approved schools, &c., show that they are generally successful in reforming their inmates, and the juvenile courts² by separating the young from older offenders have prevented their contamination, but even here recent figures show a deplorably high proportion of juvenile offenders mainly in connexion with larceny³ and other forms of theft.

On the whole we cannot but fear that humanity and the desire to reform have gone too far, and will weaken the authority of the law especially as regards minor offences which to the very impecunious afford great temptation.

Such were the main outlines of legal machinery and police, and of the development of the law. But some particular branches of the law deserve more attention as they throw a curious light on the relations of State and subject. The first class of these is treason. The law of treasons for practical purposes starts with

¹ Thus house-breaking, shop-breaking, &c., generally increased 83 per cent. in known cases (partly due to improved records, &c.) and only 60 per cent. more were completely cleared up. Larcenies known of increased by 40 per cent. but only 31 per cent. more were cleared up, whilst as regards false pretences and frauds (in connexion with which the perpetrator must nearly always be known by sight to the victim) 66 per cent. more cases were known, and 88 per cent. more cleared up. Robbery with violence has increased steadily from an average of 177 in 1920-4 to 208 in 1931. Motoring offences have naturally increased steadily. For full details of recent statistics see Cmd 4294, 4295, 4360 and the Statistical Abstract for the United Kingdom for each of the years 1913 and 1918-31.

² *Vide supra*, note 1, and p. 923, note 1.

³ Thus in the case of burglary 35 per cent. of the offenders were under 16, and 20 per cent. between 16 and 21, and in the case of shop-breaking, which covers 59 per cent. of 'breaking and entering' offences, 46 per cent. were under 16, 20 per cent. between 16 and 21. House-breaking, 35 per cent. under 16, 20 per cent. 16-20, 22 per cent. 21-30, and only 17 per cent. over 30 in the latest figures. See Cmd. 4360. Although ranked as serious crimes, in most cases the actual damage done is very small. In the Metropolitan area, excluding motor thefts, only 2 per cent. of the thefts were over £100 in 1932. Cmd. 4294. In all offences and classes the vast majority of offenders are men: in the case of indictable offences roughly 10 to 1 in cases tried by indictment and 5 to 1 of those tried summarily.

the famous Statute of Edward III.¹ Previously no clear line had been drawn between treason and other encroachments upon the royal authority. This had led to unjustifiable extension of the idea culminating in the decision in Sir George Gerbergé's Case² that mere 'false', i.e. wrongful, imprisonment of one subject by another was treason. This led to the Statute limiting treason to compassing or imagining the King's death or the wife of the king, or his eldest son or his wife, violating the King's wife or companion or the wife of his eldest son or his eldest daughter unmarried, affording succour or comfort to his enemies, or levying war against him within his dominions, killing the King's Chancellor or his Justices³ in their places doing their office, or counterfeiting the Great Seal, and providing that other treasons were to be determined in Parliament.

With the exception of the last clause, which it seems was repealed under Henry IV,⁴ and the offences against the Great Seal which are now mere forgery, these are treasons now.

During the Middle Ages there were few alterations. In 1380⁵ to kill ambassadors was made treason, and the existing treasons were further defined under Richard II and deposing the King or departing from allegiance was added. This, however, was repealed in the next reign.⁶ Finally, by the famous and anomalous Statute of Henry VII, it was declared not to be treason to adhere to a *de facto* king.⁷

From the beginning of Henry VIII's breach with Rome until the nineteenth century this changed. In the first place we have the Statutes during the Tudor period and after the Revolution of 1688 passed to secure the different 'settlements' of the Crown. Closely connected with these are the offences, includ-

¹ Treason Act, 25 Edw. III, st. 5, c. 2. ² *Sir George Gerbergé's Case*, Hol. 1 P.C. 80.

³ This did not include the Barons of the Exchequer unless Serjeants.

⁴ 1 Hen. IV, c. 10. There is some doubt as to the strict effect of this Statute, but it is clear that after it trials of treason, except by way of impeachment and then only for the known forms of treason, ceased. Of attainders we need not speak. They were merely legislative acts by which a party in power murdered their opponents when they could find no legal grounds against them by declaring they ought to be executed. (Strafford's Attainder is a typical example.)

⁵ 3 Ric. II, 4 Hale, 263 Co. 8.

⁶ 21 Ric. II, c. 3; 1 Hen. IV, c. 10.

⁷ 1 Hen. VII, c. 1.

ing treason, which were created in connexion with religion, naturally aimed chiefly against the Catholics under Henry VIII and Elizabeth, but continued in the seventeenth and eighteenth centuries, and extended to some classes of Protestants, especially Anglican non-jurors after 1688.

The injustice of treating religious beliefs and practices as criminal offences at this period was less than might appear at first sight in view of the fact that men of almost all denominations believed that the civil authority ought to support the 'true' religion, with force if necessary, and therefore were probably inclined to be ready to overthrow, or at least to acquiesce in the overthrow, of governments whose beliefs and maintenance seemed to them incompatible with the 'true' faith. This was in theory possibly strongest amongst the more extreme Protestant sects, Fifth Monarchy Men, Anabaptists, and some Presbyterians in particular. But in practice Catholics being more numerous and better organized, and having stronger foreign affiliations, and during the lives of Mary Queen of Scots and of the Pretenders having 'legitimate' claimants for the throne to whose cause they might be suspected of being attached, were usually most dreaded, although of course many Catholics were perfectly loyal to Elizabeth and Hanover and known to be loyal.¹ In fact, the Reformation and later the Jacobite sympathies of the High Anglicans inevitably put Catholics and the High Church extremists into the position of probable political opponents of the Government. At the times of the greatest stress under Elizabeth and James I, when excommunication was threatened or inflicted, and wars of religion were raging on the Continent, some such Statutes were inevitable.

All this legislation was piecemeal, Elizabeth being particularly active. Nine Statutes of treason were passed by Henry VIII alone, and of these four dealt with the question of religion.²

¹ It is, of course, one of the ironies of history that whilst Catholics in days of Elizabeth and after—even in the time of Charles II—were constantly suspected of planning to overthrow the Government with foreign assistance the only actually successful revolution with foreign aid was the Protestant Revolution of 1688.

² e.g. 26 Hen. VIII, c. 13; 28 Hen. VIII, c. 10; 31 Hen. VIII, c. 8; 35 Hen. VIII, c. 3.

All Henry's treasons were repealed in the next reign,¹ but by a later Statute to deny the Royal Supremacy or assert that the King was a heretic or usurper was made treason again.² Mary passed similar Statutes on the Spanish marriage and added the new treason of praying for the death of the Queen.³ Elizabeth carried on the process, and so did James I and even Charles II.⁴ After the Revolution of 1688 Statutes of treason were passed against clerical non-jurors and holders of offices but with much lesser penalties, usually limited to fines, and, in cases of obstinate refusal of the Oaths of Supremacy, deprivation of office.⁵

Politics and religion in fact went hand in hand, and disagreement with the Government over religion could scarcely be expected to receive full toleration since it at least suggested the probability of disaffection, although, of course, not always correctly. This does not detract from the objectionable character of test oaths, and of the tendency to make expressions of religious opinion penal. In fact heresy had been made punishable with burning at least as early as Henry IV⁶ and many Lollards had suffered martyrdom, and failures to perform religious duties had been punished by fines and penance in the archdeacons' courts—supported by the civil power if necessary;⁷ but it was not until the Reformation that the State undertook a general surveillance of men's religious beliefs and practices, and in effect this made the regimentation of ideas far more severe in practice. Henry VIII started this and all his successors kept it up. The only alteration before the nineteenth century was that in the later seventeenth and eighteenth centuries the oaths were confined to persons holding State offices or benefices in the Established Church, which, after all, was not in the political conditions of the time so unreasonable.

Indeed, it is clear that the chief interest was political—not

¹ 1 Edw. VI, c. 12. But it is noticeable that when words alone were alleged as constituting treason a rapid trial was secured.

² 5 & 6 Edw. VI, c. 11.

³ 1 & 2 P. and M. c. 10. 1 & 2 P. and M. c. 9.

⁴ *Infra*.

⁵ e.g. 1 W. and M. c. 8; 1 Anne, c. 17. In all cases the Statutes cited in these notes are by way of example, the most important being chosen; exhaustive lists would take nearly as much space as this chapter.

⁶ *De heretico comburendo*. 2 Hen. IV, c. 15. ⁷ *De contumacia*, 4 Hen. IV, c. 3.

religious. In fact, the close parallel between the ordinary 'political' treasons and the Statutes making religious conduct treason or otherwise criminal is striking. If under Henry VIII and his Protestant successors it was treason to assert the Papal Supremacy, after 1688 it was equally so to assert the rights of the Pretender.¹ Similarly, if reconciling with Rome was made treason, and concealing offers to reconcile misprision of treason by Elizabeth,² corresponding with James II or the Pretender was made treason by William III and Anne,³ and the Statutes of Elizabeth,⁴ forbidding the unlicensed return from abroad of 'Jesuits, Seminary Priests, and other such-like disobedient persons', and forbidding subjects to go abroad to educate their children as Catholics or avoid the Oaths of Supremacy, have an almost exact parallel in the Statute of Anne forbidding officers who had served the Pretender or in the French forces to return without licence, or any one to go abroad to the Pretender.⁵

Again, except, of course, under Mary, until the appearance of the Anglican non-juror supporters of the Stuarts all these Statutes were aimed principally at Catholics. The oaths, it is true, and some Statutes against those who 'depraved' the Anglican Prayer Book would offend the Puritans, but it is clear that the enemy chiefly aimed at was the Catholic, and above all the Catholic with foreign connexions. Henry VIII, it is true, was as ready to burn heretics who denied the Real Presence as to hang 'traitors' who denied that he was Christ's Vicegerent in England, and later other Acts, especially the Clarendon Code under Charles II, were passed, full of intolerance towards Dissenters of all kinds, but the Treason Acts were aimed principally at Catholics and the disabilities they suffered were more numerous and severe, whilst after 1688 the Whigs who had objected to the general Declaration of Indulgence of Charles II and James II were ready enough, by annual acts, to relieve Nonconformist office-holders of the penalties they had incurred under the Test Acts, but were not ready in effect to do the same for Catholics.

¹ 12 & 13 Will. III, c. 3, &c.

² 13 Eliz. c. 2.

³ 9 Will. III, c. 1; 13 & 14 Will. III, c. 3; 1 Anne, c. 9.

⁴ 27 Eliz. c. 2.

⁵ 3 & 4 Anne, c. 14.

The subject of treason was, however, confused by the application of the term to offences which were in no way political. Thus Henry VIII¹ made piracy treason if it were not already so. Again, riots to destroy enclosures were made treason in 1549,² but this was reduced to felony by Mary and Elizabeth.³ Further, innumerable additional coinage offences were made treason. Mary, who added some treasons by writing,⁴ started this⁵ and the process was carried on for the next 250 years, in the first place, perhaps, because coining was a Royal Prerogative, but later simply to protect public credit during the crisis produced by the influx of American gold and silver and the later banking difficulties. The truth is that treason had become the crime *par excellence*, just as infidelity to one's feudal lord had been earlier, and so was applied to any offence greatly disliked. Later Statutes restored the earlier idea of disloyalty to the King and danger to the State, but the principle of treason remained confused until the nineteenth century.⁶ Then all the earlier statutory treasons, except those of Edward III and those of Anne protecting the Act of Settlement, were swept away,⁷ and by 1865 treason was limited to its present bounds.

In addition, 'constructive' treasons based on distortions of the meaning of 'levying war', and still more of 'compassing and imagining the King's death', had grown in profusion, especially after 1688. Indeed, the statutory extensions of the offence by the Tudors was equalled almost by the judicial extensions under the Hanoverians and later Stuarts. Thus to make any tumult with a general purpose, e.g. to destroy all brothels⁸ or all Dissenters' meeting houses⁹ or induce legislature to pass particular

¹ 28 Hen. VIII, c. 15.

² *Vide supra*, and for other instances of riot made treason.

³ 1 Mary, c. 1; 1 Mary, sess. 2, c. 12, Eliz. c. 16.

⁴ 1 Mary, sess. 1, c. 1.

⁵ 1 Mary, sess. 2, c. 1. Copying the Great or Petty Seal or counterfeiting money were made treason by the Statute of Edw. III and not reduced to felony till 1832, 2 & 3 Will. IV, c. 123; 2 Will. IV, c. 34, s. 1.

⁶ 13 Car. II, c. 5; 7 & 8 Geo. IV, c. 27, 7 & 8 Geo. IV, c. 3; 12 Geo. III, c. 24, 7 Anne, c. 21, s. 14.

⁷ Principally by 11 Vict. c. 12 and see 24 & 25 Vict. c. 91, s. 11.

⁸ *Messenger's Case*, 6 St. Tr. 132. See in general, Holdsworth, vol. viii, c. 307

⁹ *Dammarie's Case*, 15 St. Tr. 52. This case is particularly ridiculous as the riot

laws,¹ was construed as treason, and this perversion of meaning increased in the eighteenth century, and almost any act which might remotely endanger the State was held to be imagining the King's death.² In fact, fear of disorder and political bias destroyed the meaning of treason. In 1795 these constructive extensions were for the more part confirmed by Statute.³ It was not until 1848⁴ that these, except those affecting the person of the Sovereign, were given alternate effect as 'treason felony', punishable by penal servitude for life. The same Statute, as we have already said, reduced treason again practically to its medieval limits.

At the risk of reiterating some of what we have said when dealing with treasons connected with religion some other examples of legal interference with religious and moral questions also deserve attention. This was not confined to the treasons and Statutes to which we have referred. It falls into two divisions: the moral police of the Church courts and their successors, and the persecution of heresy and nonconformity.

Since William I⁵ the Church had had its own courts. Their chief business was civil, especially questions of wills, of personalty, and matrimonial causes. Henry VIII, of course, subordinated them to the Crown, but they continued until 1857 to deal with these matters, although their clerical character was really gone, and still have control of Church discipline with appeal to the Judicial Committee of the Privy Council.⁶ But it is only with the moral discipline which the Archdeacons' and the

was inspired by Royalists' High Church sentiment, and the Whigs who prosecuted, not the Tories who rioted, were disloyal.

¹ *Hardy's Case*, 24 St. Tr. 199.

² Hale held in the seventeenth century that the King must really be the object of the attack, Hale, *P.C.* 1. 135, *passim*. Later see *Henry and John Sheares's Case*, 27 St. Tr. 255; *Preston's Case*, 12 St. Tr. 646, *MacLaine's Case*, 26 St. Tr. 721, *Campbell's Lives of the Chancellors*, cc. 71, 80, 88 ³ 36 Geo. III, c. 27.

⁴ 11 Vict. c. 12, ss. 6 and 61. Oral offences in these cases were abrogated altogether by 54 & 55 Vict. c. 67. 'Treason felony' is not a term of art, though commonly used; and the Crown may, if it chooses, prosecute for the capital offence. The principal object of the Act was to make convictions in Ireland more easy.

⁵ Stubbs, c. 84

⁶ See Phillimore, *Ecclesiastical Law*, Introd., for the organization of these courts. The Probate Division now has taken over all their civil jurisdiction except Church discipline. See also Holdsworth, vol. i, p. 580 et seq., for these courts generally; vol. iv, p. 81 et seq., for the Council's use of ecclesiastical organization.

Consistory Courts¹ exercised that we are concerned. Until 1640 perjury, blasphemy, bigamy and sexual offences, drunkenness, and disorderly conduct in general were punished by these courts as 'sins' to be atoned for by penance apart from any civil penalties which lay courts might inflict. In fact, disorder of a minor kind was more likely to bring the offender before the Archdeacon than before the Justice of the Peace, until 1640, whilst the Church courts also punished many sins which lay law ignores, e.g. mere unchastity.

But their position was controversial. The Common Law courts admitted their jurisdiction in 'spiritual' cases, but strove to limit the meaning of this as far as possible.² Parliament also repeatedly interfered both to declare that particular cases were secular and to check too much interference by the Common Law courts and to assist the Church courts with lay force.³ All their powers were questioned. The trial was carried on by *ex-officio* oaths in all cases, though Coke denied that these could be demanded of laymen except in matrimonial and testamentary cases, and then only on specific questions of which the accused was given a list, 'as is the course of the Star Chamber and Chancery', and not on mere thoughts.⁴ Again, excess of jurisdiction

¹ Certain privileged abbeys had separate courts and there were also 'peculiar' under the bishops, but the Archdeacon's Court and the Consistory Court were the normal courts for these purposes and the others made no important difference to the law applied

² See *Caudry's Case*, 5 Co. Rep. 1, *passim*, and Co 4 Inst., ch. 74 *passim*, for the position in last period during which these courts exercised general criminal and police jurisdiction apart from Church discipline. Civil discipline lasted to the nineteenth century. Of course, the Church courts also strove to 'poach' by claiming breaches of contract, &c., as 'sins'. See Martland, *Canon Law in England*, p. 3, quoting William of Drogheda's advice to canon law students how to do this. For some remarkable examples of interference even with matters which were also Pleas of the Crown see Archdeacon Hale's *Precedents and Proceedings in Criminal Cases*, lxxviii, lxx, lxxviii, xviii, xxii.

³ e.g. 9 Edw. II, s. 1, 18 Edw. III, c. 6; 31 Edw. III, c. 2, and other examples cited by Coke, loc. cit., *supra*. Martland, *Canon Law in England*. It is also disputed whether before Henry VIII they regarded canons as binding before they were 'received' by the English Church. Martland holds that they did, loc. cit., *supra*. On the other side see *Eccl. Com. Rep.* 1883, vol. i, p. 18. Martland's view is usually accepted and, I believe, is correct.

⁴ 12 Co. Rep. 26. Contrast Henry VIII's treasons and the use of test oaths generally.

might incur a praemunire,¹ whilst if lawful orders were disobeyed they could enforce them by spiritual penalties and, if these were not enough, by notifying the Common Law courts by Writs of Significavit and leaving them to imprison the accused by the writ *de contumacio capiendo*. This gave the lay courts an opening and before *de contumacio* had issued they would prohibit excommunication, and even after Chancery would order its withdrawal if it were not thought justified.² There is even authority that wrongful excommunication was actionable at common law,³ but this is doubtful.

In spite of this they were very active,⁴ down to the abolition of their practical control of laity.⁵ And there can be no doubt that their action was most offensive. They acted inquisitorially on mere suspicion or accusations of the lightest kind. By the *ex-officio* oath, whether it was legal or not, they inquired into the most private affairs, e.g. relations of husband and wife and even of parents and children,⁶ on the complaints of strangers. Mere scandal forms the bulk of the reported cases, usually with no indication of any evidence except *vehementer suspectus* and such confessions as the oath extracted, though later some accusations were preferred by the parish officers in a way not unlike the presentments in leets. This last developed after the Reformation. More usually the accusation was brought by an apparitor, i.e. a minor official

¹ 12 Co. Rep. 37. This involved loss of all ability to sue, imprisonment for life, and absolute forfeiture of all lands, goods, and chattels practically: now it only applies (1) if a dean and chapter fail to elect the royal nominee as bishop by 25 Hen. VIII, c. 20; (2) by 31 Car. II, c. 2 (Habeas Corpus Act) unlawfully sending any prisoner outside the realm, so as to deprive him of the protection of the writ of Habeas Corpus, (3) by 6 Anne, c. 23, s. 9, the transaction of any further business by Scottish Peers met to elect their representatives to the House of Lords. In spite of numerous other Statutes in the past imposing this penalty there is only one case in the State Trials of its penalties being enforced. Harg. St. Tr. 1, vol. cccclxin. Until 5 Eliz. c. 1 it was thought that being put out of the King's peace in this way may have meant that any one might kill the offender.

² 12 Co. Rep. 76. *Boraene's Case*, 16 Ves. 346, at pp. 347-8.

³ Dr. and Stud., lib. 2, cap. 32. For law and religion generally see Holdsworth, vol. vi, pp. 196-203; vol. viii, pp. 402-20.

⁴ Except possibly from 1546 to 1554, Hale, op. cit. 53. In 1639-40 the London Consistory Court tried 2,500 cases.

⁵ 1640, 16 Car. I, c. 2. See also 13 Car. II, c. 12.

⁶ Hale, loc. cit. dcclii.

of the court, and these were paid by the fees which they got for each case. If there was no confession, trial was by compurgation, i.e. sworn denial supported by oaths of one's friends who swore that one's oath was clean.¹ The usual penalty was public and humiliating penance, though this was sometimes commuted for money, even in very disgraceful cases.² It is difficult to imagine a system more likely to lead to malicious prosecutions, perjury, and blackmail. There is considerable reason to believe that this result did occur.³

But the penalties were remarkably mild when compared with those inflicted by the High Commission for similar offences,⁴ and their treatment of sorcery, which they seem to have dealt with merely as fraud, was infinitely superior to lay treatment.⁵ Even heresy they treated in most of the cases which I have read merely as stupid blasphemy. Archdeacon Hale could find no important prosecutions and in no case which he quotes in which the result is given was *de heretico* applied for, which contrasts very favourably with the Commonwealth Parliament's treatment of the lunatic Naylor.⁶ Indeed, almost all burning was after trial by special commissions. In fact the courts, whatever their minor officials were like, seem to have acted in a merciful and even paternal spirit,⁷ and when in the sixteenth and seventeenth centuries they lost control of such cases as bigamy and witchcraft, which were made felonies,⁸ and minor disorders, such as drunkenness, and offences under Vagrancy Acts were treated

¹ This was hard on the poor as producing friends cost money. Hale, *op. cit.* dcxviii.

² Hale, *op. cit.* cclvii, cclviii, cclxxx.

³ See Chaucer, *The Friar's Tale*, for the medieval attitude to them, and Hale, *op. cit.*

⁴ Contrast Stephen, *H.C.L.* ii. 423 and the cases cited from Hale's Reports, &c., above, and his Reports in general.

⁵ Hale, *op. cit.* xxvii, cccxvi, lxxxii; contrast 33 Hen. VIII, c. 8, 5 Eliz. c. 16, 1 Jas. I, c. 12; Stephen, *H.C.L.* ii. 439, *passim*. The Puritans from 1644 executed 109 out of less than 140 witches executed from Henry VIII onward. Henry was the first to make witchcraft capital. It was not reduced to mere fraud again until 1736 (9 Geo. II, c. 5). For the absurdities of their trials see Hale L.C.J., *Trial of Witches*, temp. 16 Car. 2.

⁶ 5 St. Tr. 825.

⁷ Hale, *op. cit.* dxcix, cclxxiv, cccxcviii, cccxxx, lxxviii.

⁸ 1 Jas. I, c. 2, &c.

exclusively by the justices of the peace, there is no doubt that the law became harder.¹

But heresy and nonconformity, although usually dealt with elsewhere, are naturally far more important. During the Middle Ages heresy was practically unknown and consequently the law uncertain. The first definite case is that of the Deacon and the Jewess in 1322.² The deacon had apostasized for the sake of a Jewess and was condemned by a Provincial Council at Oxford, and was promptly burnt. What authority there was for burning him is doubtful. There is no sign of a royal writ, and the Council had expressly forbidden clerics to give judgments of blood. Probably it was done by the foreign adventurer Fulke de Breauté, possibly to please the clerics by obeying the Lateran Council's direction confirming the laws of Frederick II of Germany.³ The importance of the case is that it is practically the only Common Law precedent for burning, and later Protestants used it to support the assertion that enforcement of penalties depended on the King and Council and not on the ecclesiastical opinion that the Canon Law was binding of itself.⁴

The next case was that of Sawtre in 1400,⁵ though an attempt had been made to authorize burning by a forged Statute possibly passed by the Lords alone in 1382.⁶ Again the legality was

¹ There are some Statutes under which laymen can still be prosecuted for clerical offences, and if excommunicated for sins technically they might still be imprisoned under the old rule, but in practice this is obsolete, the last attempt to enforce rules of conformity was the prosecution of Bradlaugh in 1883 for ceasing to be a Christian under 9 & 10 Will. III, c. 35, this failed. 15 Cox C C 217, see also *R. v. Allison*, 59 L.T. 936.

² Maitland, *Canon Law in England*, p. 158 et seq. Bracton, ed Woodbine, f 300, Fleta, c. 35; both these merely give interpretations of the deacon's case. Fleta muddled it with the case of a lunatic imprisoned at the same time Fleta seems to think he was buried alive. If not burned he was actually only imprisoned for life. The burying alive of unchaste nuns, &c., traditionally believed in owing to Scott's *Marmion*, has no support in fact. See Maitland, loc cit.

³ Acta C. 13, c. 5, 7.

⁴ Blackstone, 4 *Com.* 46, also asserts the Common Law origin of the writ *de heretico* and that, although the ecclesiastical courts decided what was heresy, yet the King and Council decided whether process would issue on this decision. Blackstone does not, however, refer to this case but only to a writ in F.N.B. 269 and to Hale, *P.C.* 1. 395.

⁵ 3 Rot. Par. 459a.

⁶ Stephen, *H.C.L.* 11. 443, 2 Ric. II, c. 5; 3 Rot. Par. 141, no. 53; 12 Co. *Rep.* 56-8.

doubtful as he was burnt on the advice of the Temporal Lords on February 26th, and the Statute *de heretico comburendo* was not passed until March 10th.¹ This case and the deacon's case were the only legal authorities for burning under Elizabeth and James I, but from 1400 onward the Statute *de heretico* and another of Henry V² remained the basis of the law until Henry VIII. The first increased the power of the clergy, for it authorized the ordinary to arrest and imprison heretics until they repented; and if they did not, or relapsed, to hand them over to the sheriff, who was to accept his decision and burn them. The second ordered the Chancellor, Justice, and Justices of the Peace to swear to put down heresy, and provided for indictments of heresy before the King's Bench, Assizes, and Quarter Sessions.³ Convicted heretics forfeited their property as for treason.

The importance of these Statutes was enormous. It was under them that the Lollards and others were burnt, down to Henry VIII. Without them burning required condemnation by a Provincial Council or equal authority and the assent of the King in Council at least, and as they had been repealed by Elizabeth it seems that the burnings in her reign were doubtfully legal and those under James certainly illegal.⁴

Whilst in force they made the decisions of the Church courts binding, but it must be remembered that the writ *de heretico comburendo* did not issue 'of course'. The lay authorities could refuse it and the King's Bench did occasionally inquire if the case was heresy by English law.⁵

¹ 2 Hen. IV, c. 15. *De heretico comburendo*

² 2 Hen. V, c. 7.

³ The jury had a special £5 qualification. They did not decide the fact of heresy. Mainprize was allowed, i.e. they had a better jury and more opportunities to prepare their defence than ordinary felons.

⁴ See note 2, p. 977, and note 6, p. 977.

⁵ *De heretico comburendo* 12 Co. Rep. 93. Hale, *P.C.* 1. 400, *passim*, and notes 2 and 3, p. 975. It is difficult to reconcile this with the Statute of Hen. IV; possibly it occurred because the cases in question were rarely clearly contumacy, not heresy, and the wrong writ had been asked for. Apart from heresy women were liable to be burnt for treason until 1814, though usually, in practice, strangled first. Then hanging was substituted, except that in the case of males the Crown can order beheading. The 1814 Act postponed the drawing and quartering of males until they were dead. This had usually been the practice before. In 1870, although the other peculiarities of punishment for treason were abolished, the right to order beheading was retained. 4 Geo. III, c. 146, 33 & 34 Vict. c. 23.

But real severity only begins with Henry VIII. Then, even before the breach with the Pope, heresy had been increasing and burnings with it.¹ With the breach the situation altered. The Church was legally subordinated to the State² and heresy became a State offence. Yet at first the law was made less severe. In 1533³ a Statute condemned the past lack of definition and the Canonical Inquisitorial trials. It ordered all trials to commence with presentment by a jury and extended the duty of receiving them to leets and tourns. The only definition it attempted was to declare that denying the Papal authority was not heresy. The chief effect was to make persecution almost entirely a lay matter; later trials were nearly all before special commissions appointed by Henry as Supreme Head, by Thomas Cromwell as Vicar-General during this reign, or appointed by Mary later, and still later by the High Commission.

Next came the Six Articles.⁴ With the theology involved we are not concerned. The legal significance is firstly that two accusers were required exactly as in cases of treason, and secondly whilst the denial of the Real Presence was specifically made heresy, other offences, all matters of ecclesiastical opinion, were made felony; so that the difference between lay and spiritual offences was further obliterated, and offences which the Church courts had treated by penance, punishable through the laity in cases of contumacy by imprisonment, were made punishable with death.⁵ Four years later the highest pinnacle of Caesaro-papism was reached.⁶ It was made heresy, punish-

¹ Stephen, *H.C.L.* II. 452.

² The chief Acts were: 24 Hen. VIII, c. 12, restraining appeals, 26 Hen. VIII, c. 1. Act of Supremacy and the Acts suppressing the monasteries ending in 31 Hen. VIII, c. 13. It should be remembered that statutes forbidding appeals to Roman Curia go back to Edward III's Statute of Praemunire, and prohibition limited ecclesiastical jurisdiction at least as early as Bracton. For Praemunire see 25 Edw. III, stat. 6, and 6 *Co. Instit.* 130 a.

³ 25 Hen. VIII, c. 14.

⁴ 31 Hen. VIII, c. 14.

⁵ Even the Six Articles left abstention from the Sacraments as clergyable offence. For the Church courts' treatment of these offences see the cases cited from Archdeacon Hale's *Criminal Proceeding*, &c., *supra*.

⁶ 34 & 35 Hen. VIII, c. 1. Why logically the same ideas if held by the laity should not be 'heresy' on the same principle it is impossible to see. The truth is the question was political, and only clerical teachers had any influence that mattered as regards opinions.

able at third conviction by burning, for any spiritual person to preach, teach, or maintain doctrines contrary to the royal instructions and determinations. This, with the so-called 'Lex Regia',¹ and more strictly the Statute of Proclamation, which gave his Proclamations the force of Statutes, marks the complete union of Church and State in the despotic king. There can be no doubt that with heresy for all who disagreed with the King if technically clerics, and treason for any one who denied his authority in Church or State, persecution reached its worst phase in England in this reign.

No earlier or later sovereign held Henry's position. The first Parliament of Edward VI² abolished all former legislation on heresy and Henry's Statutes of treason. Such burning, therefore, as took place in this reign was under the doubtful Common Law rule. Mary³ naturally restored the law as it had existed before her father had changed it. The 300 martyrs of her reign were therefore legally executed under the old law of Henry IV.

Elizabeth abolished this again,⁴ and heresy was once more on its Common Law basis. At the same time, all ecclesiastical jurisdiction was reunited to the Crown and the High Commission created, first temporarily and then permanently.⁵ It was under this that such slight persecution for heresy, as distinct from recusancy and nonconformity, as took place in the reign of Elizabeth, was legalized. But the legal position was very uncertain. It would seem that the Queen had through the High Commission all the Common Law authority to burn heretics if any existed.⁶ But in any case prosecutions for merely speculative opinions were rare and doubtful in her reign. The question did not come to a head until James I.

The whole position of the ecclesiastical courts was doubtful. They claimed that being Royal they were not subject to Præ-

¹ 31 Hen. VIII, c. 8.

² 1 Edw. VI, c. 12. But some minor offences for depraving the New Sacraments or using other than the authorized forms of service by 2 & 3 Edw. VI, c. 1, 1 Edw. VI, c. 1, continued for the new Prayer Book by 13 & 14 Car. II, c. 4, s. 20.

³ 1 & 2 P. and M. c. 6

⁴ 1 Eliz. c. 1.

⁵ 1 Eliz. c. 1, ss. 17 and 18.

⁶ 10 Eliz. c. 1. It would seem that some Anabaptists were burnt, but the whole business is very doubtful. Every one disapproved of these fanatics in any case.

munire,¹ but Coke thought they were if they clearly exceeded their commission. The common lawyers also denied that the High Commission had any more power to imprison than the old Church courts and issued Habeas Corpus in several cases;² above all, it was doubtful if the Statutes of Elizabeth were merely declaratory or limited the authority of the Crown. If merely declaratory the Crown could determine what was its ecclesiastical law as it chose, but Coke claimed that the Courts of Common Law could settle the matter. Finally, it was doubtful if any one could authorize burning except after condemnation by a provincial council or possibly the High Commission as having equal authority.³ All that seems certain is that the burning of Legate and Whiteman was illegal and that James I knew it as he knew Coke's opinion.

After James there was no more burning for heresy though women were still burnt for treason, and Quakers and others were imprisoned, flogged, and mutilated under the Commonwealth. Before that the High Commission, which had certainly exceeded all bounds, was abolished in 1640, and the Restoration, though it revived the other ecclesiastical courts, but without any real power over laymen in criminal matters, did not restore it.⁴ Burning for heresy was formally abolished in 1667. In the interval, though the Puritans⁵ had penalized some opinions and after the Restoration blasphemy was punished as libel or a petty police offence and even arguments against Christianity occasionally prosecuted as criminal libel,⁶ persecution of opinion, apart from conformity, ceased, practically speaking, with James I.

Nonconformity was a very different matter. Apart from the

¹ 12 Co. Rep. 37.

² 12 Co. Rep. 10; *Sir Anthony Roper's Case*, 12 Co. Rep. 47; *Sir Wilham Chanley's Case*, 12 Co. Rep. 82, *Fuller's Case*, 12 Co. Rep. 750. See Gardiner, i. 444.

³ Stephen, *HCL* ii. 419, *passim*, 5 Co. Rep. 1; Co. 2 *Instit.* 599; Co. 4 *Instit.* c. 74; 12 Co. Rep. 93, Hale, *PC* i. 405

⁴ 16 & 17 Car I, c. 11, 13 Car. II, c. 12. That is to say, not legally. In 1686 James II restored it by pretended exercise of Prerogative powers as head of the Church, 11 St. Tr. 1143.

⁵ Stephen, *HCL* ii. 464, *passim*.

⁶ *Sedley's Case*, 17 St. Tr. 155; *Williams' Case*, 26 St. Tr. 653. 11 & 12 Will. III, c. 4, 60 Geo. II, c. 8, are about the most severe of the later Statutes.

Statutes making denials of the royal authority treason, from the Reformation onward until the nineteenth century attacks on nonconformity were endless. The main features of these are that each time the Government was frightened or recovered its courage its severity increased. Thus after the excommunication of Elizabeth the importation of Agnus Dei and relics was prohibited and fines imposed for saying Mass or not attending the State Church, and Jesuits were especially attacked.¹ When the Armada had failed the fines were increased for non-attendance, banishment and prison prescribed for recusants, and those who converted them, or, being recusants, failed to leave the country or returned when banished, were made felons. Further, all recusants were ordered to report themselves to the local parson or magistrate and stay within five miles of their homes.²

Similarly, after the Gunpowder Plot new laws³ gave the Government power to seize two-thirds of the estates of recusants instead of the old fines, gave rewards for their betrayal, excommunicated them though allowing them to sue, which an excommunicated person could not do normally, and deprived them and their heirs, unless they attended church with their children of over nine years old twice a month, of all offices, and fined those who buried their dead or baptized their children in their own faith.

Even the Restoration produced a more stringent legislation, the Act of Uniformity and the rest of the famous Clarendon Code, depriving Catholics and Protestant Nonconformists alike of freedom of meeting or movement or the right of public office,⁴ whilst the Popish Plot scare, besides leading to the

¹ 13 Eliz. c. 2, 23 Eliz. c. 1, c. 4, more especially s. 2, made it treason to absolve oaths of allegiance. The fines for non-attendance (s. 14) were not repealed until 9 & 10 Vict. c. 59, though long a dead letter.

² 33 Eliz. c. 2; 35 Eliz. c. 1 and c. 2; see Pickering's edition.

³ 3 Jas. I, c. 4; 3 Jas. I, c. 5; Stephen, *H.C.L.* ii. 486, *passim*.

⁴ 13 Car. II, st. 2, c. 1, s. 9, Corporation Act; 14 Car. II, c. 4, Act of Uniformity; 16 Car. II, c. 9, Conventicle Act; 17 Car. II, c. 2, Five Mile Act. These Statutes, 14 Car. II, c. 1 and 16 Car. II, c. 4, s. 18, were aimed chiefly at Protestant Dissenters, although Catholics also suffered. Later the more usual bias against Catholics was resumed by the Test Acts of 1672, 25 Car. II, c. 2, and 1678, 30 Car. II, st. 2, c. 1. Needless to say, no attempt can be made here to deal with all the legislation on this subject. See Holdsworth, vol. iv, p. 196, *passim*.

most iniquitous trials in English history, led to the Parliamentary Oaths Act which for over 200 years excluded Catholics from the Legislature,¹ and even the outbreak of war with France under William III caused an Act threatening with perpetual imprisonment priests who performed their functions or educated children,² and gave Catholics' lands to their nearest Protestant heirs if they denounced them, forbade their Catholic heirs to take them during their lifetime if Catholics, and disabled them from purchasing lands or having them held in trust for them.

Secondly, the severity of the law increased until the eighteenth century, and then was only relaxed very slowly.³

Thirdly, the main bias of the laws was against Catholics except in the first decade of Charles II's reign. Hale⁴ summarized their position thus: for a Catholic priest to be in England was treason, to perform his functions entailed, by Statute of William III, perpetual imprisonment, or fine and imprisonment by Statute of Elizabeth.⁵ The Catholic layman could not bring any action, hold any public office, present to a living, claim courtesy⁶ if married in his own Church, or, if a woman, any part of her deceased husband's personal estate. A Catholic might not keep arms, except such as four J.P.s thought necessary, or come to Court or within ten miles of London or go five miles away from his home. A Catholic forfeited two-thirds of any dower if a woman, and was liable for fines for not receiving the Church of England sacraments; Catholic unmarried women might be committed to special custody. This is only a summary. It is quite clear that these rules were never enforced. It was admitted at the trial of Lord George Gordon for his anti-Catholic riots that they only served as a means of private blackmail.⁷ Had they been enforced no Catholic family would have been left unbeggared, and this was certainly not the case.

¹ 30 Car. II, st. 2, s. 1.

² 11 & 12 Will. III, c. 4.

³ Except possibly under the Commonwealth, when the laws passed seem less severe and reform was constantly in the air, but practice under Cromwell's Major-Generals and other armed 'saints' was more severe.

⁴ Hale, *P.C.* i. 387, *passim*.

⁵ *Vide supra*. p. 982, especially notes 1 and 2.

⁶ i.e. a life estate in his deceased wife's lands.

⁷ 21 St. Tr. 501.

In fact these laws were only occasionally used, to suppress political opponents or collect informers' fees. After 1688 most Protestant Dissenters were relieved, on taking oaths of submission to the Government, from most of the laws against them,¹ and Occasional Conformity Acts and Acts of Indemnity enabled them to hold office though forbidden by Statute. Yet so strong was the anti-Catholic bias that Catholics were not relieved from the penalties against them until 1778, and then only on taking oaths denying the Jacobite claims and the power of the Pope to depose, whilst clerics were not relieved at all and the Mass was still proscribed.² They did not receive the same toleration as Protestant Dissenters until 1791³ nor the franchise until 1839,⁴ and even then Jesuits and other religious Orders and Catholic teachers and priests were still nominally under disabilities, and, though for the more part the law was never enforced, Jesuits and other Orders and all priests were not relieved of their last disabilities until 1926.⁵

To sum up, laws against nonconformity were passed of the most intolerant character, but after 1700 never enforced in full and even before often disregarded. They were undoubtedly a humiliating nuisance to their victims, and especially to Catholics, but the police in the seventeenth and eighteenth centuries were too weak and too haphazard to enforce them and in the nineteenth and twentieth centuries such as were not repealed only survived by accident, having been forgotten. There was never anything in England to equal the Protestant persecutions in Scotland or Holland or the New England

¹ 1 W. and M. c. 18, 1689.

² Sir George Savile's Act, 18 Geo. III, c. 60. The Conventicle Act and Five Mile Act were nominally binding until 52 Geo. III, c. 155, and Elizabeth's Acts against non-attendance until 7 & 8 Vict. c. 10, except for the Toleration Acts.

³ 31 Geo. III, c. 32; 10 Geo. IV, c. 7.

⁴ 7 & 8 Vict. c. 59.

⁵ 16 & 17 Geo. V, c. 55. The Acts repealed were 3 & 4 Edw. VI, c. 10; 1 Eliz. c. 24; 1 Geo. I, st. 2, c. 50; 31 Geo. III, c. 32; 10 Geo. IV, c. 7; 2 & 3 Will. IV, c. 115; 23 & 24 Vict. c. 134, the first five were practically obsolete although containing offensive provisions in regard to the use of vestments, steeples, bells, images, schools, &c. The last two were still of some practical importance as they forbade gifts to (male) celibate orders, &c., which might in some cases cause gifts to Catholic organizations which would be good Charitable Trusts if the Orders had been Protestant. A good draftsman could, however, evade them *de facto*.

colonies or the Inquisition in Spain, Holland, and South America or the Dragonnades of Louis XIV, because, though the law was severe enough, the police was too inefficient to hunt out private offenders, whilst the character of the people, and power of the law against open disorder, were sufficient to prevent popular tumults like those which caused the excesses of the Anabaptists at Munster, or the worst features of St. Bartholomew's Massacre, which exceeded the royal intention.¹

This lack of machinery, combined with the desire to regulate almost everything, was a feature of English law down to the nineteenth century. Apart from religion, the most interesting example of this is the endeavour to control the publication of opinion. The history of this falls into two distinct periods, the period previous to the lapsing of the Licensing Act in 1694 and the period from then to the practical abandonment of the attempt after Fox's Libel Act.

The Middle Ages had known the offence of *scandalum magnatum*, and Coke gives some early instances of criminal libel.² By the sixteenth century the basic principles were settled.³ The rules are set out by Coke; truth is no defence, and the jury has very little to do. They were told, 'You have not to inquire whether he be guilty of the felony, but if he be the author of the book'.⁴ The offence was capital and consisted merely of the fact of criticism. It became treason if the Crown was the person criticized, and under Elizabeth⁵ an insane enthusiast was executed for prophecies sent secretly to her as a warning. Thus malicious intention was as yet no part of the crime. It owed its origin to the Star Chamber.

But the power to repress was not enough; the Government wished to forestall publication. This led to the creation of the Stationers' Company, with a monopoly of publishing and licensing publishing by other printers. Philip and Mary founded this to suppress the Reformers, and it was continued by their successors

¹ The Bristol Riots and the Gordon Riots against Catholics came nearest to this, but were not, of course, on the same scale.

² Co. 3 *Instit.* 174.

³ *De Libellis Famosis* Co. Rep. vol. iii, p. 254.

⁴ *Udall's Case*, 1 St. Tr. 1271.

⁵ *Williams' Case*, 2 St. Tr. 1685.

to suppress Catholics and Puritans. This, therefore, was abolished by the Commonwealth, but they soon introduced more severe Licensing Acts of their own,¹ the substance of which was maintained after the Restoration by new Acts which were allowed to lapse in 1695.²

The lapsing of these Acts left the law of copyright in a state of confusion and so far was regrettable. But in the meantime a more reasonable law of criminal libel had been developed by the Star Chamber. It was the Star Chamber which had punished such libels as escaped the licensing restrictions in most instances until 1640. This was an advantage to the Government as the Star Chamber was devoted to its views, but it was also more merciful as it did not punish with death. Moreover, its great object was to maintain order; therefore it treated as the basis of the offence a tendency in the publication to cause a breach of the peace, and introduced a very vague idea that this must be also malicious. But, as there was no jury, whether malice was a fact or a legal conception was undefined.³

These ideas were adopted by the King's Bench, and the Whigs and Tories of the seventeenth and eighteenth centuries used prosecutions for libel ruthlessly to suppress their opponents. At first, as special verdicts could be usually obtained, and down to the Revolution of 1688 at least, as the judges would consult with the Crown counsel on the legal principles to be applied before the trial, convictions were easy enough to obtain, but gradually a struggle developed to extend the power of the jury and to enable them to decide the general issue of guilty or not guilty.⁴

The history of this struggle can be read in the Dean of St. Asaph's Case.⁵ Before that one jury had insisted on returning a general verdict, and Mansfield had approved this when publication or the innuendo was doubtful,⁶ but otherwise

¹ The subject of Milton's famous attack in the *Areopagitica*

² 16 Car. II, c. 17, s. 15; 13 & 14 Car. II, c. 33; 1 Jas. II, c. 17, s. 15; 4 & 5 W. and M. c. 24, s. 14. For the development of the Law of Defamation generally see Holdsworth, vol. vi, p. 310, *passim*, and vol. viii, p. 333, *passim*.

³ Holdsworth, loc. cit.

⁴ The refusal of the jury to convict in the Seven Bishops' Case was merely political and can hardly be regarded as a precedent for this extension.

⁵ 21 St. Tr. 953.

⁶ *R. v. Miller*, 20 St. Tr. 893.

asserted that they were only concerned with facts of publication and the innuendo.¹ But what constituted a libel and what kind of guilty intention was needed, and whether it was present or not, were still matters of law, so that the control was practically in the hands of the judge.² But the Dean of St. Asaph's Case and the prosecutions over the Letters of Junius brought the matter to a head. Nine years later Fox's Libel Act established the right of the jury to decide the general issue.³

But for a time this did not completely reform the law. The jury had to have explained to them what malice in this connexion meant, and even now it is difficult. At that date the meaning was so uncertain that a squib published as a joke might be held to be maliciously published because it was intentionally published,⁴ and it was not until 1843 that a Statute made it a defence that there was no intention to be defamatory and no undue carelessness.⁵ However, by the middle of the nineteenth century the law of criminal libel was settled on its present basis, which permits a man to publish what he pleases, provided that it is not so indecent or likely to offend others and provoke a breach of the peace, or stir up dissatisfaction or class hatred, that twelve ordinary citizens will condemn it and then only if they think he intended this result or was criminally careless.⁶ The effect is to substitute the opinion of ordinary citizens as the criterion—instead of the sixteenth as in and seventeenth centuries the opinion of the Government and in the eighteenth century of judges certain to share the view of

¹ *R. v. Owen*, 18 St. Tr. 1023; see also *R. v. Franklin*, 17 St. Tr. 672, which carried the limitation on the jurors' powers to their greatest height.

² *Horne Tooke's Case*, 20 St. Tr. 651. See Stephen, *H.C.L.* ii, ch. xxiv, generally on this.

³ 32 Geo. III, c. 360.

⁴ *Driffin and Lloyd's Case*, 22 St. Tr. 318. How far inoffensive criticism was still a crime was also doubtful. See *Payne's Case*, 22 St. Tr. 357; *R. v. Cattell*, 27 St. Tr. 641. *R. v. Reeves*, 22 St. Tr. 117. This last is particularly ridiculous, as all the accused had done was to state correctly that Parliament was originally an outgrowth of the Curia Regis. He was convicted owing to Whig jealousy of anything which might suggest that the Crown was above Parliament.

⁵ 6 & 7 Vict. c. 96.

⁶ Provided the court holds there is evidence upon which they can come to these conclusions. The Court decides if there is evidence for conviction, the jury if the accused is guilty. See Frazer on *Libel* on the present law. The limits of the judge's authority on the question of sufficient evidence is very peculiar even now.

the governing classes, and to abolish the idea that inoffensive criticism can be criminal.¹

Penultimately, we must mention shortly the law and police of trade and labour. Legislation on these subjects is enormous.² But full treatment is a matter of economic history. Although endless legal treatises have been written on particular parts of the law, except for the law of combinations, conspiracy, and restraint of trade, &c., lawyers have regarded most regulations as merely exceptional interference with the normal freedom and property of the subject, and confined themselves to the practical questions of the limits of each example without considering whether any legal principle could be found in them as a whole.

Moreover, the enforcement of questions of fair wages and proper standards was until recently, generally left to Justices of the Peace, and even now usually to government officials and the like who had and have to decide the questions of standard as questions of fact, or public convenience or general fairness, so that usually the only legal questions which have arisen have been how far such authorities had a right to interfere at all in the particular case.³ But we must speak briefly of such

¹ Nothing which is said here refers to the civil action for libel which is only available to secure damages for a deserved reputation, and to which truth in the public interest and fair comment are sufficient answers. Criminal libel is not concerned with the truth but the tendency of the publication to cause disorder, &c. Similarly slander, which is purely a civil offence, depends upon entirely different principles.

² See Holdsworth, vol. iv, p. 326 et seq., for the history of some of these laws, but there has never been a period when they did not abound.

³ For the few cases in which economic theories have been discussed see Professor Parry, 'Economic Theories in English Case Law,' (1931), *L.Q.R.* xlvii. 183. In recent years an increasing tendency has appeared to introduce considerations of social and economic policy into discussions of pure jurisprudence, and penology has, as we have seen, attracted some legal interest, but it is still true to say that regulations of trade and social relations scarcely form a branch of 'lawyers' law' except either as constitutional questions (*supra* p 907, note 6) or technical questions of mere construction. There is no body of legal doctrine dealing with such matters in addition to Statutes comparable to that which we find in other branches of the law. Indeed even combinations, conspiracy, and restraint of trade are generally treated as branches of the criminal law and the law of tort and contract even in books exclusively devoted to them, unless the books are treatises on sociology and economics rather than Law.

regulations so far as they affected police and criminal law, though we can only give a few examples. The first idea to be noticed is that of the fair price. Briefly we may say that from the Middle Ages until the triumph of *laissez-faire* it was thought that a man was only entitled to a fair price for his goods and labour and that he ought to be secured this by law as a right.

Hence, from the Statutes of Labourers at least onward,¹ we find endless enactments intended to secure just wages and prices. The two features of this require stressing. In the first place the legislature was not so one-sided as is usually thought. Attempts to raise prices were punished as much as attempts to raise wages. Indeed, combinations for these purposes were probably a Common Law offence and endless statutes restraining forestalling and regrating, i.e. buying up the market and the like, were more fully enforced and continued later than the Statutes of Labourers, which fell into decay almost from the first.²

Edward VI³ passed the last general statute, but others continued to be passed until the nineteenth century,⁴ attempting to regulate prices and wages in particular trades, and although the statute of Edward VI was repealed in 1772⁵ the common law and particular statutes were left and continued in force until 1844,⁶ if not later. In fact, the Monopolist had no friends except Kings who hoped to make a profit by selling monopolies. Elizabeth first systematized this but was forced to promise to abandon the practice, and Royal Monopolies were

¹ 23 Edw. III, st. 2, cc. 1-7.

² Even to contract with any one that he should not work in a particular way was an offence at common law (*The Taylors of Ipswich's Case*, 8 Mod. Rep. 10). Usury was also illegal, 13 Edw. III, c. 5, and earlier, and punishable by the Church courts. For examples of Tudor Statutes, see 37 Hen. VIII, c. 9, 13 Eliz. c. 8. Interest was fixed and reduced to 5 per cent by 12 Anne, c. 16. Laws against usury were not abolished until 17 & 18 Vict. c. 90. The usury laws had some influence on the development of the law of mortgages. For the decay of the Statute of Labourers see Miss Putnam, *Enforcement of the Statute of Labourers*.

³ 5 & 6 Edw. VI, st. 8, c. 14. For medieval examples see 25 Edw. III, st. 4, c. 4, and 37 Edw. III, st. 1, c. 5. Co. 3 *Instit.* 195.

⁴ e.g. 15 Car. II, c. 8, 5 Anne, c. 34, s. 2; 7 Geo. I, st. 1, c. 13; 22 Geo. II, c. 27; 5 Geo. IV, c. 96; 7 Will. IV and 1 Vict. c. 77, &c.; far too many were passed to make it possible to enumerate them here.

⁵ 12 Geo. III, c. 71, Stephen, *H.C.L.* II 261.

⁶ 7 & 8 Vict. c. 24.

finally abolished in 1617,¹ and except for chartered companies under statutory authority and privileges under the Patent Laws monopolies as a legal right disappear.

However, Statutes regulating standards of work hours and wages, and ordering Justices to arbitrate, or providing special facilities for suing for wages, continued to be passed.² Even now Justices can in some cases reduce wages for bad work,³ and except in the latter part of the nineteenth century attempts to fix them by law were unending. Even during the nineteenth century, when most attempts to fix wages legally were abandoned, regulations of conditions increased, and now the attempt seems to have been resumed.⁴

The main difference that the nineteenth century made was that for the first time adequate police⁵ were created to enforce the regulations which formerly had only been supported by the severity of the penalties.⁶ As regards the judicial settlement of wage disputes, the great difference legally is that the old law aimed at protecting vested rights, including the labourer's right to an undefined 'just' wage, as if such rights were proprietary, whilst now industrial boards and councils are composed of economists and experts and representatives of the parties, and the matter has ceased in the main to be a matter of Criminal Law, which it was so long as legal right and not merely social convenience were thought to be involved.

As regards police, all these regulations naturally increased 'crime'. The history of smuggling in England is as violent as

¹ See for royal monopolies in general D. Seabourne Davies, 1932, *L.Q.R.* xlviii. 394.

² e.g. 10 Will. III, c. 1, ss. 8 and 3; 1 Anne, st. 2, c. 13; 55 Geo. III, c. 38, 38 & 39 Vict. c. 90, s. 4. There were even Truck Acts at the beginning of the eighteenth century. 1 Anne, st. 2, c. 18, s. 5, but examples are endless.

³ *Sharp v. Hainsworth*, *Law Journal*, xxxii. 33.

⁴ e.g. Coal Mines (Minimum Wages) Act, 2 Geo. V, c. 2. The nineteenth-century Factory Acts are too numerous to be cited here, and it is sufficiently well known to what extent they have revolutionized the conditions of work.

⁵ Including in this term factory inspectors, &c. The ordinary police have also been constantly employed to enforce such regulations. Maitland, *Law and Police*, p. 116, *passim*.

⁶ e.g. 2 Edw. III, c. 1; 8 Eliz. c. 3. Of course protection of the revenue was the main object.

the history of bootlegging in America. And, though this disappeared with the Free Trade era, D.O.R.A. and the like have also caused much lawlessness, as yet only of a petty character, and greatly hampered the police by taking them from their normal duties of suppressing ordinary crimes.

Again, it must be remembered, from the police point of view, all this regulation was bound up with the Poor Law. This, until the nineteenth century, was very largely intended to suppress crime and vagrancy.¹ It was not until the nineteenth century took Poor Law away from the Justices and made it a matter of administration that it ceased to be largely influenced by fear of the sturdy beggar who might become a marauder. Hence much of its savagery was due to the desire not only to provide for the destitute but to keep them from violence and make some one responsible for them. Poor Law mainly lies outside our subject, but we must remember that from Tudor times until the nineteenth century the able-bodied who did not work were treated as criminals. Edward VI punished them with branding, whipping, and selling into bondage.²

But the chief legislation was that of Elizabeth.³ On it the Poor Law rested until modern times in spite of failure during the Commonwealth. Into its development we cannot go; all we can notice is that the law of 'settlement' which made each parish responsible for its paupers and ordered them to be returned to it, is a return to the medieval police principle that

¹ For the earlier laws against vagrants see Blackstone, 4 *Com.*, ch. 13, sec. 3, and Stephen, *H.C.L.* iii, ch. 32. The modern law has been made much milder, but throughout our period, until the late nineteenth century, it was as severe in this as in any other branch. Vagrancy since the Renaissance has always been treated as a crime. See 61 & 62 Vict. c. 39; 2 & 3 Geo. V, c. 20. See also Kenny, ch. xxiii, for the remnants of this reduced branch of the law. 25 & 26 Geo. V, c. 20, was needed in 1934 to enable the destitute to sleep out, as those with means might do for their amusement without committing a crime.

² 1 Edw. VI, c. 3. See also 5 & 6 Edw. VI, c. 2. Contributions of Poor Relief were still enforced by 'spiritual' sanction. See also 2 & 3 Phil. and Mary, c. 5.

³ 5 Eliz. c. 3. The great change in this Statute is that the bishop is to present to quarter sessions those who failed to contribute, i.e. the penalties are now secular. See also 14 Eliz. c. 5 and 18 Eliz. c. 3. Also 39 & 40 Eliz. c. 3 and 43 Eliz. c. 2. It is these last that set up the regular overseers of the poor, and put Poor Law on the basis on which it remained until the nineteenth century. See Holdsworth, vol. iv, p. 392, and vol. vi, p. 349.

no landless man must be without some person or place responsible for him. The reasons for the failure of this system we must leave to the economists. All we are concerned with here is the fact that until the Poor Law Reforms of the nineteenth century Poor Law was simply a branch of the amateur and brutal police system, and only later became an administrative problem.

Finally we must mention the law of conspiracy. In medieval times conspiracy was mainly thought of as attempts to frustrate justice—a type of crime which was rampant¹—and associated with champerty and maintenance, but the Star Chamber stamped this out to a great extent and later conspiracies are mainly concerned with attempts at Trade Combinations. As we have already said, combinations to raise wages were probably illegal at Common Law and certainly so under many Statutes.² In any case, during the eighteenth century, especially at its close, when fear of the Jacobin Corresponding Societies led to numerous enactments against secret oaths and societies,³ practically all combinations were made illegal by Statute.⁴

But all these Statutes were failures. Trade Unions being made illegal merely became criminal and violent in fact as well as in theory. At length in 1824–5 two Statutes allowed combinations even to persuade workmen to leave their employment before they had finished their contract, whilst providing more summary punishment for violence or obstruction.⁵ But the construction put upon the word obstruction, &c., and the decision that all combinations made to injure another were still illegal at Common Law, made effective trade-union action legally impossible.⁶ The effect of this decision was that whereas

¹ Cf. Winfield, *History of Conspiracy and abuse of Legal Process* (Cambridge Studies in English History) Champerty is the offence of assisting litigation in hope of obtaining a share of the proceeds; Maintenance of assisting litigation without a legitimate reason. Both are civil as well as criminal offences.

² 5 Eliz. c. 4 is the most general of these before the end of the sixteenth century.

³ 39 Geo. III, c. 79; 57 Geo. III, c. 9, 37 Geo. III, c. 123, 52 Geo. III, c. 79. These include as offences attempts to coerce King or Parliament.

⁴ 36 Geo. III, c. 111; 39 Geo. III, c. 3, 40 Geo. III, c. 60. See in general Stephen, *H.C.L.* iii. ch. 30.

⁵ 5 Geo. IV, c. 95; 6 Geo. IV, c. 29.

⁶ *R. v. Rowland*, 2 Den. C.C. 364, Stephen, *H.C.L.* iii. 216, *passim*.

agreements by workmen to fix their wages and conditions were now legal, a combination to hurt another was still a conspiracy, and therefore the union of any persons to raise wages, &c., of anyone but themselves was indictable.¹ Trade unions indeed were still held to be partly outside the protection of the law and their funds not fully protected from fraud.² The result caused so much annoyance that, after a commission of inquiry in 1867, in 1871 two Acts declared that they should not be regarded as illegal though in restraint of trade.³ Four years later in order to make strikes, not for one's own advantage, free of the law of conspiracy, another Act⁴ made combinations to perform acts which would be legal if done by an individual also legal. From then on trade unions have been favoured, and in 1906 even breaches of contract, &c., in a trade dispute were legalized⁵.

To conclude, the law, after long striving to regulate wage disputes and other industrial questions, finally forbade the workers to unite and gradually ceased itself, to a great extent, to attempt to secure them wages which were fair. Having abandoned them to the chance of the market, until 1871 it practically forbade their effective co-operation, but in the twentieth century so favoured it that in 1926 their unions could menace the whole country, nor has the Trade Disputes Act of 1927 done much to alter the situation; and in this sphere perhaps more than in any other the principles upon which Law and Police should be developed are still disputed and unsettled.

¹ The distinction between pursuing one's own advantage and harming another by combination is still very difficult to draw, and if the line is crossed outside the protection of the Trades Disputes Acts may still cause civil liability.

² Stephen, *H.C.L.* iii. 222.

³ See the *Report of the Macmillan Commission*; R. S. Wright, *Law of Criminal Conspiracies and Agreements*, 38 & 39 Vict. c. 31; 38 & 39 Vict. c. 32, &c.

⁴ 38 & 39 Vict. c. 86.

⁵ 6 Edw. VII, c. 32.

THE DEVELOPMENT OF ADMINISTRATION, CONSCRIPTION, TAXATION, SOCIAL SERVICES, AND EDUCATION

By ERNEST BARKER

CHAPTER I ADMINISTRATION

§ 1. *General Factors and Considerations*

WE may begin the history of modern administration, somewhat arbitrarily and yet with some reason, about the year 1660.

By that year England had decided that she would not follow the lines of an administrative absolutism, acting through the King's Privy Council and its ancillary organizations both central and local, but would be governed by the King-in-Parliament at Westminster, aided—or sometimes thwarted—by the local justices of the peace. In 1661 began the personal rule of Louis XIV; and during the next ten years, with the aid of Colbert, the inherited institutions of the past were shaped into the French administrative system which, modified and invigorated by Napoleon, still endures. In 1660 Frederick William, the Great Elector, secured for his troubled dominions in northern Germany a period of rest and reorganization; and though the history of Prussian administration is a long story, which began even earlier with Joachim Frederick's organization of a Council of State about 1600, and was to have large chapters written afterwards (by Frederick William I and Frederick the Great in the eighteenth century, and by Stein and his successors in the nineteenth), we may date its continuous progress from the reforms of that crucial period.

There is, of course, no single history of the growth of administration in Europe at large since 1660. Each country has its own system, determined by factors which are peculiar to itself. Apart from the factor of historic tradition, there are two

others which deserve especial mention. One is the geographical—the conformation of a country internally, in point of extent and the ease or difficulty of communications; the nature of its position externally, according as it is free from or exposed to frontier problems. From this point of view there is a sense in which we may say that English administration (the administration of a small and compact country, bounded by an inviolable sea) is a simple thing compared with either Prussian or French. The other factor is the social—the nature of the system of classes on which administration has to act; the character of the social class from which administrators are drawn; their position and their standing in the social hierarchy. This is a factor of the first importance, which may particularly differentiate the administration of one country from that of another. But there are also some general threads which run through the inevitable differences. The prestige of the system of administration of one country may induce imitation, more or less conscious, in others. France was long a model in this way; and we may cite in evidence Frederick the Great's introduction of French revenue officers and his appointment of a Frenchman as head of the Prussian customs and excise. In more recent times Prussia herself, and since 1870 Germany at large, have played the same part: the organization of armies, the methods of education, and the planning of social services have all tended to be modelled on German patterns. Not only may the influence of a particular country inspire a general trend; a general movement of opinion may conduce to the same result. The *Aufklärung* of the eighteenth century, with its creed of superior benevolence and its utilitarian levelling rationalism, was the common inspiration of many rulers, in many countries, who sought to obey philosophy by becoming philosopher-kings, and to rationalize administration into the general uniformity of a clock-work providence. Russia, often an experiment ground for doctrine, affords an instructive example. The *nakáz* of Catherine II which conveyed her instructions to the legislative commission of 1767 shows the age of 'enlightenment' carrying its torch to the farthest confines of Europe.

We must distinguish 'administration' from 'government'; and we shall do so best if we consider the relation of both of these terms to a third—'the State'. A State is a territorial society (generally, in our times, a territorial nation) organized as a legal association under and in virtue of a constitution. As such an association it observes a common law, and its members enjoy the rights and perform the duties which are guaranteed in that law. Government, in the broader sense, is the policy-determining branch of this association, which both declares and enforces, in harmony with its general opinion, the law to be observed, the rights to be enjoyed, and the duties to be performed. In the narrower sense, in which we identify it with the executive, it is the particular organ which is finally responsible for ensuring that the declared system of law, and of rights and duties, shall be an effective fact as well as a declared rule; in other words, it is the policy-enforcing organ. Administration is connected with government in this narrower sense of that term; but it is also distinct from it. It is the sum of persons and bodies who are engaged, under the direction of government, in discharging the ordinary public services which must be rendered daily if the system of law and duties and rights is to be duly 'served'. Every right and duty implies a corresponding 'service'; and the more the State multiplies rights and duties, the more it multiplies the necessary services of its ministering officials.

The administration, we may accordingly say, 'ensures the daily life of the State, and of its sub-divisions, by discharging the public services' which both require.¹ Where administration is concerned with the common services of the State at large, it is central; and from this point of view we have to consider its relations as a 'civil service' both to the government in the narrower sense of the executive, and to the legislative body to which that government is nowadays generally responsible. Where administration is concerned with the particular services of subdivisions of the State, it is local; and from this point of view we have to consider its relations both to the central administration and the central government behind it, and to the local elected bodies

¹ J. Barthélemy, *Le Gouvernement de la France*, c. ix, *ad initium*.

with which it is generally associated. (In some countries, as in France, the emphasis lies on the relation of local administration to the centre; in others, as in England, it lies on its relation to local elected bodies; in others, as in Prussia, there has been an attempt to link the local administration both with the centre and with local elected bodies in a sort of triple balance.) In regard to both central and local administration, a further question arises, which concerns their relation to the judicature and its courts. Are their actions cognizable in the ordinary courts, under process of common law; or do they belong to special administrative courts, which apply a special administrative law? England answers in one way; France and Prussia answer in another.

All these conceptions belong to the twentieth century. When we go back to 1660 we have to shed them and to think in different terms. The State is not regarded as a legal association, united in a common scheme of rights and duties which requires the discharge of public services. It is rather regarded from a number of different points of view, the inheritances of a long past, which present us with a blurred and yet living picture. If we place ourselves on the Continent, and more particularly in France, we may seek to suggest the salient features of this picture in three propositions. (1) The State is a Family. 'The Family', Bodin had said, 'is the true source and origin of every Commonwealth.' The idea of the Family colours the general political scheme. The French king governs by a sort of *conseil de famille*, analogous to that of any French family, in which the queen-dowager and the princes of the blood will naturally sit. Government officials and the household staff run into one another: in particular, the expenses of government and the expenses of the household are confused, and there is no clear distinction between the family income of the 'father of his people' and the revenues of the State. (2) The State is Property, or, at any rate, the government of the State is property. Loyseau, a French jurist of the early seventeenth century, regards the king as 'owning' sovereignty in virtue of the prescriptive title of long possession. The matter goes farther than

that: the king may actually own a large part of the territory of a State; and Frederick William I of Prussia, at the end of his reign (1740), drew from his royal domains little short of the same amount that he drew from public taxes. The conception of property covered even administrative office. The holder of office in France held a property for which he had paid, and which, subject to further payment, would descend in his family. Office in England in the eighteenth century, if it is not hereditary, is none the less property; and the rules about office come under the rules of the law of property. (3) The State is Society. More exactly, it is interlocked and intermixed with the play of society; and, instead of being a pure and impersonal legal structure which controls and adjusts that play, it is bowed and bent to its working. The confusion of State and Society is one which naturally follows on the identification of the State with Family and Property. It is a confusion which shows itself in various ways. Because the nobility has a special position in society, it must also have a special position in the State; and Louis XIV, though he is resolved that this position shall not be one of office and political authority, and though, as we shall see, he has his own idea of the State as incarnate in himself alone, is none the less concerned to adorn his nobles by pensions and gifts from public sources involving a species of 'social services' in aid of an indigent aristocracy. Again, and conversely, the class of officials, having a special position in the State, must have a special position in society; and accordingly the proprietary and hereditary official, organized in his *bureaux* and *compagnies*, attains the social dignity of belonging to the *noblesse*. Even the army is interfused with society. Companies are not raised or paid by the direct authority of the State. Members of the nobility and gentry become *entrepreneurs* for the purpose; and the army of the State is drawn into the general process of economic society.

This confusion of the idea of the State with notions of Family, Property, and general Society was generally characteristic of Europe about 1660; and the confusion still survived under Louis XIV, and into the eighteenth century. So long as it persists, it complicates and checks the development of a pure and

specific administration of public services. The disengaging of the idea of the State, as a service-rendering organization for the protection of rights and enforcement of duties, is the prior condition of such a development. There are two great landmarks in the history of that disengaging. One is the institution of absolutism, as it was inaugurated by Louis XIV. The other is the proclamation of national sovereignty, as it was made in 1789. Both of these movements, opposed as they are, agree in postulating a conception of the State as something separate and *sui generis*; and it is in connexion with these movements that we can best trace the general history of State administration.

§ 2. *The Administration of France under the ancien régime*

The pattern of absolutism was a pattern set by France. The maxim ascribed to Louis XIV, *L'État, c'est moi*, has a profound sense. Its negative implication is perhaps the more important. The State is not to be confused with Family or Property or Society; it is a self-subsisting unity on its own independent account. The principle of that unity, however, is not to be found in the idea of a legal association, united by the reasonable wills of all its members, under a constitution which they have given themselves; it resides in the idea of the reasonable will of a single supreme Person who, as God's vice-gerent, connects and constitutes a community under a scheme of order which he creates, and for the realization of which he appoints a government and an administration. The *ministres d'État* who form the government are therefore *his* ministers, executing his will after learning it from him in personal conference; the *secrétaires d'État* in Paris, and the *intendants* in the provinces, who form the administration, are *his* chosen agents for discharging the royal services which his will involves. This was the general conception of the new absolutism; and it was realized, as we shall see, in Prussia as well as in France. The execution of this conception involved a revolutionary break with the past. It was also to involve, in another and graver sense, a revolution in the future.

It involved a break with the past. We may trace that break

both in central and in local administration. At the centre all traces of a family council disappear; and the government is conducted by the King in a *Conseil d'État* which only includes *les trois bourgeois*¹ who are his *ministres d'État*. This concentration is naturally accompanied by the growth of a central administrative bureaucracy, in order to cope with the demands of an overburdened king and his still more overburdened ministers, and to realize the absolutist principle that personal will shall furnish a general scheme of order for the multifarious life of the whole community. The growth of a central administrative bureaucracy is not so much a break with the past (it is when we come to local administration that we find the true absolutist revolution) as an addition to what the past had bequeathed. France had long had four administrative secretaries, each with a territorial sphere covering a quarter of the *généralités*, or financial districts, into which the country was divided; and in the time of Richelieu it had become the custom to give to one or more of them some general interest, such as war or foreign affairs, in addition to his territorial sphere.² Louis XIV continued and developed the scheme; he made each of his ministers the head of a Secretariat, thus connecting government and administration; and he made the Navy a new general interest attached to the Secretariat held by Colbert. But two new developments also occur in his reign, which were both of permanent importance. One is the growth of large *bureaux* of officials attached to the secretaries—so large, we are told, that 'when the Court and the Government installed themselves at Versailles, the *bureaux* occupied exclusively the two long wings on either side of the fore-court.'³ The other, and the greater, development is that of a new system of financial administration. The old office of Controller-General of Finances assumed a new position in the hands

¹ The 'Triad' which formed the government during the period of reconstruction between 1661 and 1672 consisted of Le Tellier, Lionne, and Colbert

² A similar mixture of geographical spheres and 'functional' competence marks the two English Secretaries of State down to 1782. The Secretary for the North dealt with foreign relations with the northern States of Europe; the Secretary for the South was concerned with foreign relations with the States of southern Europe, Irish affairs, and internal administration.

³ G. Pagès, *La Monarchie d'Ancien Régime*, p. 187.

of Colbert; it was equipped with a new 'treasury board', or *Conseil royal des finances*; and it drew into its sphere not only finance, but also agriculture, industry, commerce, and colonies. Nor was this all. The Controller-General was also, in view of his financial powers, in close touch with the local officials, themselves mainly concerned with matters of finance; and he was thus the Minister of the Interior as well as the head of the Treasury. In the hands of Colbert the office is connected, on the one hand, with the development of the system of *intendants*, and, on the other, with a State regulation of industry and commerce, by means of inspection and tariffs, which enabled absolutism to impress (or to attempt to impress) its own 'mercantile' scheme of order on the local and general economic life of France. In the hands of his successors the office of Controller-General was less important; but a powerful controller might at any time wield the influence, or even acquire the title, of *premier Ministre*.

In the sphere of local administration the break with the past was more revolutionary. The system of vendible and hereditary offices, of which we have already spoken, was deeply rooted in seventeenth-century France; and indeed its traces survive to-day, in an altered form, in the array of nearly 1,000,000 officials scattered over the soil of France. It was a system which encouraged the multiplication of offices, in order to increase the payments derived from grant and renewal; and it thus bred a disease which continued to be endemic in the French monarchy down to the Revolution. Almost all the administrative reforms of the *ancien régime*, it has been said, disguise financial expedients: they are only a veil for a new scale of offices; and the government of Louis XIV, no less than that of his predecessors, and also of his successors, descended to expedients of this character.¹ There was, indeed, one advantage to be derived from the multiplication of proprietary offices. It enabled the State to tap the elusive wealth of the middle classes. The King satisfied the bourgeois passion for the security and prestige of office—at a

¹ An edict of 1692 made municipal mayoralities into life offices which descended by heredity, another of 1704 extended the same rule to aldermen and other municipal magistrates, and in 1706 'alternative' mayors were instituted in order to secure a further profit

price. But there were two great disadvantages. One was that so great a cloud of office-holders, not necessarily possessed either of personal ability or of technical experience, was not a fit medium for conducting the will of the absolute monarch to his subjects. The electric spark was lost in an opaque density. Another disadvantage was even graver. The numerous officers began to form a class and to organize themselves in corporations. This was a menace to the State, and the germ of a new feudalism. The 'treasurers of France', for example, who were concerned with the general management of taxes, formed a *collège* in each of the thirty-odd *généralités*, and maintained collective representatives at the Exchequer in Paris; the *élus*, who dealt with the repartition of the *taille* in those parts of France in which it did not fall to Provincial Estates, formed a *syndicat* at Paris about 1640. The danger became apparent in the beginning of the Fronde, in 1648, when treasurers and *élus* joined the Parliament of Paris, itself the greatest of all the colleges of officials, in an agitation against the monarchy. If absolutism was to be established, this danger must be removed. If the French monarchy had once broken the local power of the old feudalism by the aid of its officials, it had now to break the pretensions of these officials themselves, before they established their power as a new and corporate feudalism.

The instrument which it used for the purpose was the *intendant*, who became as essential to the local administration of France, from 1660 to 1789, as the *préfet*, his successor, has been since the days of Napoleon. The *intendant* of the *généralité* had existed, in an incipient form, before 1660; indeed the agitation of 1648 had been an agitation against his existence. He begins, under the government of Richelieu, and even earlier, as a commissioner, or *missus dominicus*, who is sent to inquire into the administration of justice, and into administration in general (including police and finance), for a given time, in a given district. We may compare him, in his beginnings, with an English eyre of the time of Henry II, inquiring into the justice and finances of a county; and indeed, in the days of Richelieu, he is generally selected, in much the same way as the justices in eyre, from a

class of lawyers who have had both judicial and administrative experience in the capacity of *maîtres des requêtes*. We need not trace his development; it is sufficient to notice what he has become by 1670, and henceforth continues to be. He has ceased to be a temporary commissioner, who criticizes and reforms. He has become a new type of permanent administrator, entrenched in every *généralité*; holding a position which is not an 'office', in the old sense, but a power revocable at will; dependent utterly on the king and his ministers (and particularly on the Controller-General); the skilled and subtle instrument of the absolutist State. 'Know', said the Scotsman Law, at the beginning of the eighteenth century, 'that this kingdom of France is governed by thirty *intendants*.' It was the work of Colbert—a work perhaps begun in the days of Mazarin, under whom he was already engaged in the public service, and certainly pursued with a steady tenacity afterwards between 1660 and 1670—to settle the general position and the functions of the new officers. Virtual Minister of the Interior of an absolutist State, he needed them generally for his work; but he needed them particularly, as agents of economic inspection and control, for the mercantile policy of regulation natural to such a State. His *Mémoire* of 1663 (or 1664)¹ became the permanent charter of their functions: henceforward they had a general control of police, of justice, of finance; and charged, in addition, to verify and liquidate the debts of towns, they also became the local sovereigns of municipalities. Town as well as country; justice no less than police duties; the whole economy of the *généralité* as well as its finances—all fell under their sway: it was their business, the king wrote, to secure 'the observation of our edicts, the administration of civil and criminal justice and police, and all things else which concern the prosperity and security of our subjects'. We may notice particularly that they combined both justice and administration. This perhaps helps to explain the growth of the French system of administrative law: it also serves to explain the recruitment of the *intendants* from the ranks of the legal profession. We may also notice that, with their heavy

¹ The date is uncertain.

burden of duties, the *intendants* were naturally led to enlist the aid of a local bureaucracy, just as the central Secretaries had formed a central bureaucracy in Paris. They acquired their *subdélégués* and staff; they formed an administrative method and routine. Before this method and routine the relics of old local autonomy disappear, alike in the rural communes and the municipalities of France. All alike are *sous tutelle*.

This was the system which French absolutism built, in order to find a suitable instrument for realizing the personal will of an absolute monarch. It has been said of it that 'the administrative system is the real constitution'; and it is true that, so far as France had a constitution before 1789, that constitution was the structure and the routine of her administration. But this truth suggests a grave consideration. It is the ideal of absolutism that the absolute will should act freely, and come and go like a rapid lightning. It is the actual fact of an absolutist system that it issues in an administrative machine, through which all action necessarily proceeds. Not the flash of an electric spark, but the slow transmission of impulse, from a mainspring which may become relaxed through wheels which may become clogged, is the true analogy. So long as the impulse remains fresh and vital, and the administrative machine is receptive and runs easily, the ideal may be accommodated to the actual in a happy equilibrium between personal will and administrative routine. But the conditions are difficult to satisfy; and they were not long satisfied in France. In the first place, the monarchy lost its driving originality; it ceased to be distinct from the machine: it became identified with its own administration, and thus it was finally forced to pay the price of the defects of its agents. In the second place, acting only by way of administration, and making an administrative system the whole of the constitution, the monarchy excluded the great bulk of the community from any share in that constitution, and from any place in public life. Perhaps its worst fault was that it had deliberately rendered useless the nobility and landed gentry, which in England played so large a part both in local life and the central system of government; but it was the rising of the *bourgeoisie*—

the industrial, commercial, and professional classes who had also been left unenlisted in the constitution, and kept under administrative tutelage—which actively precipitated the Revolution.

Finally (and this is one of the heaviest counts) the absolute monarchy had stereotyped its will in one direction—that of external policy and war. Richelieu had once said to Louis XIII in 1630, 'Si le roi se résolvait à la guerre, il fallait quitter toute pensée de repose, d'épargne et de règlement du dedans du royaume.'¹ The French kings resolved upon war: they wedded absolutism to militarism: and they paid the price which Richelieu had foreseen. Because the will of the absolute sovereign ran to war, the administration became an administration controlled by the exigencies of war—directed to the financing of armies, and therefore directed, in its primary intention, to the extraction of taxes. It was not conscription, or the burden on men's lives, that weighed most heavily (the French army, down to 1798, was not a conscript army); it was taxation, and the burden on their purses. That burden weighed all the more heavily for two grave and sufficient reasons. The taxes were unequally distributed; both the nobility, as the price of their contentment with a splendid uselessness, and the official classes, as part of the price of their work, were in practice exempt from the incidence of any direct taxation. Again they were uneconomically collected, and inadequately controlled when they were collected. French administrators, in spite of their ability and their experience, had not learned the secrets of financial administration.

§ 3. *The Administration of France since the Revolution*

The result was the coming of that 'revolution in the future' which, from the early years of the eighteenth century, had always threatened the absolute monarchy. Absolutism fell in 1789, and it fell with a resounding crash. It had sought, indeed, to disengage the idea of the State, but it had never entirely succeeded: it had still permitted social privileges to invade the political system; and so far as it had succeeded it had

¹ Cited in G. Pagès, *op. cit.*, p. 106.

disengaged a State which was military rather than civil and concerned with external relations and power rather than with internal order and *le règlement du dedans*. A new conception of the State now appeared in the doctrine of 'national sovereignty'. The nation, and not the king, is *l'État*; the general will of the nation, and not the absolute will of the monarch, is sovereign. We might expect this doctrine to obliterate the past, and to issue in a new system of administration, under which a national parliament would control the central administrative services, and local elected bodies would govern in the sub-divisions of the nation. This was, indeed, the original intention and tendency of the Revolution, with its policy of a weak central executive and its sweeping measures of local decentralization; but France soon halted and checked in this course—partly under the threat of internal confusion and discord, and partly under the pressure of foreign wars. Nor could the past be shed as easily as the revolutionaries had dreamed. A system of administration which had worked since the time of Colbert, and had settled into the habit of the nation, could not be readily scrapped. It was not scrapped. France retained the administrative machine of the past, but gave it a new motive power. She provided a new mainspring, but left all the wheels.

The new motive power, or mainspring, was the new-born will of an emancipated nation, conceived as a 'person' with a *moi commun*—a collective 'person' which vindicated sovereignty, and the right to bear the style of *l'État*, from the individual and single person of the absolute monarch in the old régime. This was a further stage in the disengaging of the idea of the State. The Revolution, if it made a new confusion between a personal nation and the impersonal State (thus enthroning the personal will of a national *moi* instead of the impersonal rule of a common law), at any rate abolished the old absolutist theory which, while seeking to disengage the State from property-rights and social interests, had proceeded to treat it as the property and interest of a single individual. But while it made this advance, and thus produced a theory of democracy, the Revolution left its new theory of democracy curiously united with the old prac-

tice of bureaucracy. As Woodrow Wilson wrote, in the days when he was still a professor, 'it removed all the foundations of French politics, but scarcely any of the foundations of French administration'.

The conjunction of democratic government with bureaucratic administration still marks the political system of France. The conjunction becomes less strange when we remember the position, the prestige, and the permanent influence of Napoleon. Napoleon was the bridge which united democracy and bureaucracy. At one end, the bridge rested on the foundation of the national will; the emperor, four times endorsed by a national *plébiscite*, was 'the first representative of the nation'; if Louis XIV had simply said, 'I am the State', Napoleon could say, more subtly but with greater force, 'I am the nation, *and therefore* the State'. At the other end, the bridge rested on a controlled and centralized administration, as the absolutism of Louis XIV had done before; but, while Louis could only delude himself into thinking that he controlled his basis, Napoleon, with his far greater genius for organization and direction, was actually in control. He was the successor of Colbert rather than of Louis XIV; or rather he was the successor of both—at once the indefatigable organizer of administration and *Le Roi Soleil*.

Napoleon's reorganization of France was completed, in all its main lines, in the four and a half marvellous years which run from November 1799 to May 1804—the years which gave France three successive 'Constitutions', a Civil Code, and a new administration. In the new administration, with which alone we are here concerned, the elements of cardinal importance are the *Conseil d'État* and the system of *Préfets*. The Napoleonic *Conseil d'État*—the precursor of the present *Conseil d'État*, which is one of the most remarkable institutions of France—is entirely different from the *Conseil d'État* of Louis XIV. That had been the government, through which Louis XIV and his chosen ministers had controlled the central administration and the whole of France. Napoleon's government was simply himself, with the aid of departmental ministers whom he consulted separately and controlled entirely. His *Conseil d'État* was a body distinct from

the government, and yet closely connected with its working. It may be defined, as Professor Barthélemy has defined the modern *Conseil d'État*, as 'le conseil des jurisconsultes et techniciens qui assiste le gouvernement dans la solution des problèmes les plus élevés de l'administration générale'.¹ Under Napoleon it consisted of some forty-five salaried councillors—lawyers, administrators, and men of civil and military experience. It was the great and trusted organ of the régime, constantly at work, and constantly consulted, so that in 1804 it handled 3,365 *affaires*.² It produced the *Code civile* of 1804; but two of its activities, which are still of importance to-day, deserve more especial mention. It was concerned with drawing up ordinances relating to public administration, just as to-day it draws up *règlements d'administration publique*; it was also concerned with the settlement of administrative disputes, and with the judgement of cases in which the officials or services of the State were involved, just as to-day it is still the supreme organ (subject only, in some degree, to the 'Court of Conflicts') in all cases of administrative law.

Parallel to this central system, in which Napoleon governed through his ministers and their staffs with the consultative aid of the *Conseil d'État*, ran the system of local administration instituted early in 1800, in which the *préfet*, himself under absolute central control, governed through his sub-prefects and the mayors of communes with some measure of deliberative aid from local councils. The *préfet* is the heir of the *intendant*, superimposed on the new revolutionary unit of the department; but he is an heir fitted into a new world of administrative conceptions. A famous phrase, used by the astute Roederer in introducing the new system of local administration in 1800, resumes the essence of these conceptions. 'Administrer est le fait d'un seul: délibérer est le fait de plusieurs.' The history of local administration in France, since 1800, has been a progressive commentary on this phrase. As it was applied by Napoleon, and as it has been progressively applied since, it involves a new doctrine of separation of powers, which regulates the area of local administration. (1) There is the power of *active* administration,

¹ Op. cit. c. ix.

² The number now runs to some 30,000.

exercised by the individual prefect, who controls the individual sub-prefects and the mayors of communes, but is controlled by an individual superior in Paris. (2) There is the power of *deliberative* administration, which belongs to bodies of persons. This is a power which, if we are to understand it properly, we must subdivide in turn; for there are refinements within refinements. (a) There is deliberative administration proper, which is concerned with the *action* to be taken on the issues assigned to its scope and belongs to local deliberative bodies such as the General Council of the department. Of this it is sufficient to say that the issues assigned to local deliberation under the Napoleonic system were very few (mainly relating to the repartition of central taxes and the voting of local rates), and that little scope was left to free election in the recruitment of the local deliberative bodies which were vested with these exiguous powers.¹ (b) There is what may be called consultative administration, which is concerned with the *advice* to be given on matters of administrative dispute, and is thus really concerned with administrative law. This belongs to the nominated *conseil de préfecture*, with its salaried members; and the function of this body thus corresponds, on a small scale (and the scale is very small in comparison), to one of the two main functions of the central *Conseil d'État*.

The Napoleonic system has undergone great changes. With Sedan there finally disappeared any idea of the emperor as 'the first (and only) representative of the nation'. National will now controls the administrative machine of France, not through an imperial incarnation, but through a national parliament—a national parliament which, in no small measure, has inherited the mantle of Louis XIV and Napoleon; which always completes its full term of four years (never being, in fact, dissolved before the end of its term), and is steadily in session for most of

¹ Little as was the deliberative power left to local bodies under the Napoleonic system, that which was left to central bodies, in the central scheme of government, was even less. The First Consul started, at the beginning of 1800, with three deliberative bodies (Senate, Legislative Body, and Tribunal), in addition to the consultative *Conseil d'État*. Within half a dozen years, he virtually dispensed with them all, and 'governed by means of *Senatus Consulta*, which he sent straight to the Senate for ratification, or by decrees drawn up for him by the Council of State' (*Camb Mod. Hist.* ix. 109)

each year; which controls the ministers of the Government almost as drastically as its predecessors, partly through its standing committees, which always confront and may often check a ministry, and partly by its frequently exercised power of dismissing ministers; which finally—through the pressure exerted by deputies on ministers, and in turn transmitted by them to prefects—can even exert an informal control of local administration. The Council of State, as it was organized by Napoleon, persists, and it still enforces administrative law; but by a beneficent change in its recruitment, and in the spirit of its working, it now uses its powers to compel officials to the adequate performance of public services, to punish any ‘excess of power’, to protect the liberty of the citizen against administrative abuse, and, in brief, to prove that an administrative court may be *le meilleur juge contre l’État*.¹

The Napoleonic system of local administration still controls the daily life of France; but it too has undergone changes. The local deliberative bodies were made elective a century ago; and the number of issues assigned to their deliberation and control has been extended by the law of 1871 relating to departments, and by the law of 1884 in regard to communes. Administration none the less remains centralized. The prefect is still an official nominated and controlled by the central government; and if elected bodies in departments and communes have received a larger scope of ‘deliberative administration’, they have also been kept under regular *tutelle*, both in their decisions and their expenditure, by the pressure of the central administration and the local prefect. The centre has given measures of local autonomy with the left hand, and imposed measures of *tutelle* with the right; and one of the problems of France is still the problem of decentralization. Its solution would seem to be connected with the future of ‘regionalism’. It is argued that only a unit larger than the department—a unit which is a whole region—can successfully administer, on the basis of decentralization and local

¹ J. Barthélemy, op. cit. c. x, § ii *ad finem*. See also, on the present working of the French system of administrative law, A. Esmein, *Éléments de droit constitutionnel*, 8th edition, vol. 1, pp. 568–73.

self-government, great services such as high-roads and railways, public health, and public assistance.¹

§ 4. *Prussian Administration before 1806*

Another system of administration which has been developed since 1660, and developed, like the French, in close connexion with absolutism, is the Prussian. Nourished on the hard and exacting soil of north Germany, in the midst of poverty and under the conditions of a stern struggle for political existence and expansion, Prussian administration has shown a severe austerity and a Spartan character. The Hohenzollern rulers, from the Great Elector onwards, made themselves hard-working 'servants of the State'; they drilled their officials and agents into an equal rigour of service; and they gradually created an administrative staff which outstripped even the French. 'Conscription' was long the keyword of Prussia. Her kings conscripted the lives of their peasants; they conscripted the services of their nobles; they also conscripted themselves. Prussian absolutism almost redeemed its nature by its impartial impersonality. It was the rule of a categorical imperative of duty rather than of a personal will; but the obedience exacted was obedience not to the moral law of practical reason, but to the political law of 'reason of State'—the exigencies of Prussian frontiers and the demands of the crucial position of Prussia in central Europe.²

The Great Elector (1640–88), inheriting the Council of State instituted by his predecessor, Joachim Frederick, to check the pretensions and resist the intervention of the old feudal estates, had laid some of the foundations of Prussian administration. He had established a body of officials throughout his dominions, chosen freely by himself from his various territories and the other German States; he had begun the establishment of a

¹ The same argument may also be applied, *mutatis mutandis*, to England. Decentralization has long been with us, but many of our counties and county boroughs are not sufficiently large to handle adequately the varied problems of education, public health, and public assistance with which they are now confronted.

² The idea of *Einkreisung*, as it came to be called in our own days, is far older than the twentieth century, and almost seems to be inherent in the geographical position of Prussia.

standing army, which was to become the core of his State; he had introduced (apparently on the French model) an urban excise and a monopoly of salt to support his civil and military system; he had founded a postal system, which not only helped to link his dominions, but extended its benefits beyond their frontiers.¹ But it was his grandson, Frederick William I (1713-40)—the second of the Hohenzollerns to bear the title of King of Prussia, assumed by the Great Elector's son and successor in 1701—who stamped his mark most deeply on the Prussian State. He was the Corporal-King who made his State a 'polity of officers'. 'I am', he said once (and his saying is the Prussian version of *L'État, c'est moi*), 'the Finance Minister and the Field Marshal of the King of Prussia.' He was particularly resolved to be the Field Marshal of a great Prussian army; but, while he willed that particular end, he also willed, and prepared, a general system of means.

The army came first; and it was to be an army of the old Roman pattern, demanding the last measure of devotion from all. The king gave himself to its call; he regarded himself as a republican, vowed to the army of the republic; he charged his son in his testament, 'You must *work*, as I have always done'. He declared, in an early edict, that all the young men of town and country, under the natural and divine order of things, were bound to serve him with their lives; and, in particular, he laid a heavy burden on the nobility. They were to serve for life as officers in the army; they were to be a nobility of army service, justified by the performance of State duty, as well as a nobility of social privilege. At that price he was even willing to enhance their privileges; they were exempt, except in east Prussia, from direct taxes; they were favoured against other classes, and made into a ruling caste.

This was the foundation; and on it Frederick William I erected a method of finance and a system of administration to correspond with its needs. The method of finance which he followed was not so much that of addition to income as of rigorous

¹ In this respect his postal system has its analogies with the Prussian Zollverein of the nineteenth century.

reduction in expenditure; and he was sparing and Spartan enough not only to pay his way, but also to accumulate a considerable balance. It was impossible, however, to attain this result without careful management of the Crown domains (which produced nearly one-half of his revenue), or without a proper system of officials to secure the full yield of the taxes; and Frederick William I overhauled the administration accordingly. He created in Berlin a single General Directory, as the central administrative department; he instituted, in each province, a chamber of War and Domains to administer the province; and he appointed, as commissioners under these chambers, Councillors of Taxes (*Steuerrathe*), who were analogous to the French *intendants*, and were set to control, and practically to administer, a group of towns or a single town of large size. Municipal autonomy disappeared in Prussia before the *Steuerrath*; but the economic prosperity of the towns, as well as the royal taxes, benefited by his work.

This was a system which lasted till the Prussian collapse after Jena and the reorganization which followed that collapse. Rigorous as it was, and even despotic, it had two great merits. Unlike the *ancien régime*, in France, it enlisted the nobility in the service of the State and made them useful, even if it also made them militarist in spirit and privileged in position. At the same time, and though it suppressed local liberty in the process, it gradually trained a class of professional administrators, devoted to Prussia (Frederick William I would never station an official in his native province, lest he should forget his primary loyalty), and equally devoted, with the zeal of a *Fachmann*, to their profession. Frederick the Great made few changes in his father's system. The nobility continued to be an enlisted and utilized nobility; they were compelled to take commissions in the army, but they alone were qualified for commissions; and on these terms they were regarded by Frederick as 'the foremost class in the State', and aided by him to establish provincial banks of agricultural credit for the improvement of their estates. The Prussian administration had to endure the introduction of a French superintendent, and nearly 200 French officials, in the

department of customs and excise; but this compliment to French administration, if it annoyed the native officials at the time, was also a stimulus to their activity. The accessions of territory due to Frederick's wars were another stimulus; and here we touch a consideration which is of primary importance in the history of Prussia, not only at this time (and indeed even before this time) but also long afterwards.

Prussia was not, like France or England, a formed State, with a contiguous and homogeneous territory. Deeply as this affected her general history, it perhaps affected, most of all, the history of her administrative development. A steadily growing State, in a constant process of formation down to 1866, she needed an able and skilled administration to digest the growth. A scattered State, with territories that eventually stretched from the Rhine to the Vistula, she needed such an administration equally to bind her scattered units together. There was no unity of a common tradition; there was not, until the end of the eighteenth century, the unity of a common body of law; still less was there any common representative body (the Prussian *Landtag* was only created in the middle of the nineteenth century); the one unity was that of a common administration. We may almost say that the Prussian State was a transcendent administrative entity (with an army at its core) superimposed on the living and homely fact of scattered provinces and divergent provincial sentiments. From that point of view we begin to understand the German political philosophy which has grown on the basis of Prussia—the philosophy of a transcendent State, a mind above individual minds, which adjusts social differences and corrects particularist antinomies in a serene and elevated solitude.

The officialdom of Frederick William I's days had been a rough instrument; and his successor could jeer at the councillors of the chambers of War and Domains as mainly fit for the gallows. But its standard steadily rose. Frederick's own enlightenment, his French models, and the demands of his arduous reign, did something. The Prussian universities, such as Halle and Königsberg, where a training in law could be gained

by the future administrator, or an ethical theory such as that of Kant could be imbibed, did more. The codification of a common body of Prussian Law (*Allgemeines Preussisches Landrecht*), begun under the inspiration of Frederick the Great, and achieved under his successor in 1791, was at once a triumph of the Prussian service and a buttress to its professional dignity and honour. When Prussia went down at the battle of Jena, in 1806, there was an able administration ready to join hands with the enlightened members of the service nobility in rallying round the king, and in creating a new Prussia to meet the strain and the stress of new and troubled times.

§ 5. *Prussian Administration from 1806 to the Present Time*

The old Prussia, as it had taken shape under Frederick William I, was a personal absolutism, half redeemed by its impersonal devotion to duty of State, and governed by two instruments—an army-service nobility, whose members were collectively a dominant caste and individually the privileged owners of a serf peasantry; and a civilian bureaucracy, which had not only supplanted, in each province, the old privileges and liberties of the provincial estates, but had also been made to engulf municipal liberty—and that on a soil on which, from the Middle Ages onwards, the town and its traders and merchants had always held a high position.¹ It was the work of the Prussian reformers, headed by Stein, who had joined the Prussian service at the end of Frederick the Great's reign, to purge the old Prussia of its defects and, while leaving absolutism still the main basis of the State, to attach new and emancipated elements of the population to its support. Between 1807 and 1811 serfdom was abolished; peasant proprietorship was inaugurated; and one of the blots on the old system was removed. In 1808 a scheme of municipal reform was passed which, while it left the State still in general control of the towns, instituted

¹ The German towns, alike in the old and settled south, and in the newer and colonial lands of the north and east, have always been a bulwark of German civilization. To this day many of the towns of Germany, as centres of local culture and of social experiment, play a much greater part in national life than the provincial towns of France or England.

a remarkable system of municipal government, combining the professional element (dear to Prussia) of paid burgomasters and paid councillors with provision for the local election of this element and the co-operation of local elected bodies in its activity. In this way another blot on the old system was removed; and a new spring of voluntary activity was added to Prussian administration. But Prussia would not have been Prussia unless these reforms had also been accompanied by a reform of the army which was her core; and indeed these reforms were adjusted to, and connected with, a new and revolutionary plan of military organization. The essence of this plan was a new conception of the army, not as the drilled and disciplined instrument of a Royal Field Marshal, but as the expression of a nation in arms and 'the union of all the moral and physical energies of the nation'.¹ It is easy to see, in the light of this conception, how peasant emancipation and municipal liberty were linked with the general scheme.

To complete the picture of the revolution wrought in Prussia after 1807 we must add the reform achieved in the nature and action of the central government in Berlin. The old Council of State instituted by Joachim Frederick had grown in numbers, but it had lost in importance what it had gained in size. The General Directory, created by Frederick William I to serve as the central administrative department, had begun during the latter part of the eighteenth century to split into various departments, or embryonic ministries, but it had done so in a haphazard way. The king was the only link; but the king himself, from the reign of Frederick the Great onwards, had further complicated matters by introducing a cabinet of private advisers, distinct both from the old Council of State and from the General Directory and its departments. A new system and simplicity were introduced into the confusion when, in 1808, five definite ministries were instituted, and the heads of these administrative departments were united in a *Staatsministerium* which advised the king and acted as his government. The

¹ On the general character of this military reorganization, after 1807, see below, p. 1039.

private cabinet thus disappeared; the Council of State survived, and attempts were made to regulate its composition, and to increase its powers, with a view to making it the organ of general survey and co-ordination. Fortunately, perhaps, for Prussia, these attempts failed. It was a Parliament, rather than a Council of State, however the latter might be reformed, which was needed to complete the structure of Prussian government.

Thus was achieved the Prussian revolution of 1807-10. It was a revolution curiously unlike the French—a revolution not directed against the administration, but achieved by it; a revolution which left absolutism almost intact, but increased the efficiency of its methods of government, and gave it something of a national basis in a national army, an emancipated peasantry, and a liberated townsfolk; a revolution which reformed gymnasia, and founded the University of Berlin,¹ in addition to reforming the civil and military machinery of State. The Prussian monarchy, saved by its own Roman conception of duty to 'the Republic' and by the qualities of its army-service nobility and its trained administration, had stepped almost at a bound from the Louis XIV circle of ideas, in which the king is *ipso facto* the State, into the Napoleonic conception, by which the ruler is only identified with the State because he has first been identified with the nation. But it would be a grave mistake to exaggerate the degree of national unity in Prussia in 1810. Prussia had not gone through the purging and uniting fires which had made one people in France from the old heterogeneous French society; and the Prussian *Volk* after 1810, if in moments of crisis it was one, continued to show class-cleavage and social differentiation. The Prussian king seemed to be at one with his people; but it was a people divided against itself, and he was particularly allied with one of its divisions—the noble and military class which immediately surrounded his throne.

Not until the *octroyé* constitution of 1849, revised and accepted in 1850 by the two chambers which it instituted, was

¹ On the educational reforms of Prussia at this period, see below, p. 1077.

there any form of parliament for Prussia as a whole.¹ When a general parliament for Prussia was at last instituted, it was not a parliament of the type common in Western Europe, either in its composition or its powers. In its composition it still reflected the old medieval class system of estates, and still bore traces of the old Prussian conception of the State as an 'officer-polity', in which an army-service nobility was the ruling caste. Not only was the Upper House predominantly composed of the landed nobility; the House of Representatives was also constructed on a three-class system (with electoral classes determined by the amount of their taxable property) which gave a preponderant representation to the wealthier elements of the population. In its powers, again, the Prussian parliament, far from being the mainspring of government, was only, at best, a brake. In Prussian theory down to 1918, and largely in Prussian practice, *der Träger der Staatsgewalt* is still the king; it is he who 'carries the person' and exercises the authority of the State; and if he is to some extent controlled by a parliamentary 'organ' (which he has himself created by his *octroi* of 1849), he has at his disposal another 'organ' in his administration, and he and this 'organ' will generally carry the day in a conflict—the more as he also controls the army. Throughout the nineteenth century, in spite of the reforms made at the beginning and the constitution granted in the middle, the absolutist conception of the State is still evident in Prussia. Partly under the shelter of that conception, and partly in the strength of its own fine training and expert experience, the administrative class remains a powerful element in the State. When we think of the various factors which are here combined and dovetailed together—absolutism; parliamentarianism (itself a combination or dovetailing of a quasi-medieval three-class system with a

¹ Provincial 'Estates', on the old medieval class system, had long existed in many of the provinces; and in 1823 the Prussian government had resuscitated and extended these Estates, and given them some innocuous powers of petition, deliberation on local affairs, and discussion of laws affecting their province. A clumsy attempt was made, between 1841 and 1847, to create a form of central parliament by combining the various Provincial Diets, but a new central *Landtag* was first created by the Constitution of 1849.

modern bicameral system); a powerful civil administration, university-trained and office-experienced; an army and an army staff even more powerful—we cannot but marvel at the elaborate adjustment of the Prussian State.¹ We might almost call it ‘a student-polity’—a polity contrived and balanced by the subtlety of scholars, anxious to find and balance the best in all possible elements. How simple in comparison (and yet, in some ways, still doctrinaire) is the new Prussian constitution of 1920, which declares that *der Träger der Staatsgewalt ist die Gesamtheit des Volks*; which makes this single and unitary people express its will directly by popular vote (in initiative, referendum, and elections), and indirectly through its appointed organs, especially the Diet or parliament; which, finally, makes the Diet elect the minister-president, and the minister-president nominate the other ministers.

The same balancing of different elements, and the same policy of ‘student-creation’, appears in the organization of the local government of Prussia, as it was elaborated by the *Kreisordnung* of 1872, regulating the circles which formed the basis of local government in every province, and by the *Provinzialordnung* of 1873 which was gradually extended, by 1888, to all the provinces except Posen. The problem of municipal government had already been settled, in its main lines, by Stein (himself a student as well as an administrator): something had also been done, at the same time, to settle the problem of rural government; but that settlement had now to be brought into conformity with the character of the new Prussian constitution of 1849–50. Gneist studied, and depicted for Prussia, the history of English local government, and the nature of its connexion with parliamentary institutions; and the transformation of the Prussian system of local administration, as Jellinek says, ‘was

¹ Mention should also be made, in order to complete the enumeration of the various factors, of the Economic Council (*Volkswirtschaftsrath*), a sort of consultative ‘Economic Parliament’, instituted, in the latter part of the nineteenth century, to consider laws or ordinances affecting larger economic interests, and consisting of members appointed by the king, mainly on the nomination of economic organizations. It is the precursor of the *Reichswirtschaftsrath* in the Weimar Constitution of modern Germany.

achieved, to no small extent, under the influence of the German theory of English self-government'—though, as he adds, the result was by no means a copy of the English system, inasmuch as the still earlier influence of French principles of organization, as well as the surviving influence of native institutions, were also contributory forces.¹ In truth the new system combined something of the French *intendant* and *préfet*, and something of the English justice of the peace and his quarter sessions, with something of the old Prussian Chambers of War and Domains and the old Prussian system of provincial estates.

It was a balanced and dovetailed structure, analogous to the balance and adjustment of the central system. The cadres of the structure were the twelve provinces; each of these was divided, first into administrative districts, controlled by a *Regierungspräsident* with a professional and salaried board, and then into units of self-government called circles; and finally the circles were divided into rural and municipal communes (*Gemeinde*), which formed the ultimate units. Running through these various cadres we may trace a number of principles or elements. In the first place, there is the element of 'active administration'. This was generally conducted on a collegiate basis, by salaried professional boards; and here we may notice a difference from the French system, which entrusts active administration to a single person. On the other hand, especially in the administrative district, the president of the active administration held a position of primary importance, analogous to that of the French *préfet*; and like the French *préfet* he represented, and obeyed, the central administration and government. In the second place, there is the element of 'deliberative administration' by locally elected bodies. This element appeared in the circle (though not in the district, which was entirely the sphere of active administration); but the elected body, or diet, of the circle was restricted in composition, being constituted on a sort of three-class system which gave weight to the landed gentry, and it was also restricted in powers, having by its side a professional administrative board which served

¹ G. Jellinek, *Allgemeine Staatslehre*, 3rd edition, pp. 630-1.

the president of the administrative district. The diet of the circle had some formal resemblance to the old quarter sessions of the English justices of the peace, in their office of governing body of the county; but in reality it had far less power. If Prussia attempted a sort of triple balance between local administration, administration at the centre, and locally elected bodies, the balance dipped heavily towards the dependence of local administration upon the central authority. Finally, we come to the principle or element of administrative law (*Verwaltungsrecht*). In Prussia, as in France, the official acts of administrative officers were reserved for administrative courts, of which there was one in the circle and another in the administrative district, with a final court in Berlin. Administrative law, while it may be used to protect the liberty of the citizen, must also tend to enhance the position of the administrator. The local administration of Prussia down to 1918 was essentially a domain of the powerful and professional administrator, admirably trained and admirably skilled—but also regulating his district admirably, and admirably regulated himself by the central government. . . .¹ Here, again, no less than in its scheme for the organization of central government, the new Prussian constitution of 1920 breaks with the past. It proclaims for civic communities (*politische Gemeinden*), and for groups of such bodies, the right of self-government (*Selbstverwaltung*); it proclaims a system of provincial autonomy, under which provinces are to administer their own affairs by organs of their own, and the range and scope of such affairs is to be increased; and it enunciates the new principle that officials shall be free to belong to local elected bodies, and to join, as elected members, in their activities.

§ 6. *The Administration of England in the Eighteenth Century*

The history of the development of administration in England is very different from its history in France and Prussia. Administration in England, since 1660, has not developed in the single frame of an absolutist or one-man State; it has developed

¹ Municipal government, with its system of committees, enlisting the services of a large number of citizens, stood in some respects apart from the general scheme.

over the varied ground of a generally active political community in which the landed gentry of the counties, the citizens of corporate towns, and even trading bodies (such as the old East India Company) have all played a part in the general conduct of a common political life. While France was insisting, by the Revocation of the Edict of Nantes, on unity of religion, England was becoming a home of Free Churches, which influenced deeply her political life, alike by the genius of their inner spirit and by the challenge which they steadily offered to all policies of conformity. While France was seeking to control all economic life by a central controller-general and his *intendants*, England was practising a system of voluntary economic activity, which promoted more than any other cause the rapid growth of her commerce and industry.¹ Finally, while the nobility and gentry of France were powerless before the *intendant*, and, destitute of local authority, were content to exact dues from their peasantry in order to lead a satellite life at Paris, the English nobility and gentry were masters of Parliament at Westminster, and the governors, through quarter sessions, of their shires. But the converse of this picture, and a converse which may well inspire us with modest reflections, is that while France (and, we may also add, Prussia) 'made a science of the service of the State', England 'considered it a task for intelligent amateurs'.²

The peculiar development of England depends upon a number of factors. An island country, it has enjoyed external security; a compact country of small extent and easy communications, it has not needed administrative pressure to give it internal cohesion and unity. Its activity has not been an activity of war, except by sea; and England has not known, as France and Prussia have known, the effects of military exigency in producing an organized administration to cope with the task of providing not only recruits and taxes, but also the general system of

¹ England, it is true, followed a mercantilist or protectionist system in the eighteenth century. But any real attempt at State-protectionism had ended with Charles I; and English commerce, while claiming legislative protection, largely went its own way. See G. Unwin, *Studies in Economic History*, pp. 28, 341.

² Professor Pollard, in the *Camb. Mod. Hist.* x. 353.

internal control which a great army needs as its basis. The last native dynasty ended with Elizabeth; and it was difficult for Englishmen to regard even their Scottish, and still more their Hanoverian kings, as incarnations of the English State. Nor was England ever imbued with the logic of that system of 'estates'—of separate and divided classes, with separate and conflicting interests—which in other countries gave absolutism both its opportunity and its justification, at once permitting it to play on social divisions, and enabling it to plead that, by bringing the divided interests under its own control, it was securing the unity of the State. We still talk of the estates of the Realm; but we have never allowed the 'estates' principle really to control our national life. Socially, there have always been bridges between the different elements: the younger sons of the noble class have passed into the class of commoners (itself combining both rural freeholders and the urban owners of mercantile wealth); and conversely commoners have passed, by way of successful pursuit of the law or of business, or from the position of large rural freeholders or squires, into the ranks of the nobility. Politically, the same system of links has also held good; parliament has not been a parliament of estates, but of 'houses'; and while one house has united a lay nobility with an upper clergy the other has combined the knights of the county with the burgesses of the town. We have had neither the useless but privileged court nobility of the French monarchy, nor the privileged but utilized army nobility of Prussia.

Administrative absolutism was attempted for a time in England, between the accession of Edward IV in 1461 and the supremacy of the Long Parliament in 1641. The French model was before the eyes of the English kings; and in the organization of the Privy Council and its administrative committees, in the development of the position and powers of the Secretaries of State, in the creation of local commissions (such as those for the North and for Wales), they attempted to follow the model.¹

¹ Professor Hatschek, in his *Englische Verfassungsgeschichte*, repeatedly emphasizes this French influence, down to the days of Charles II and Clarendon; cf. pp. 416 sqq., 423 sqq., 426 sqq., 433-4, 438-9.

But the attempt fell on stony ground. Neither the geographical position nor the social structure of England demanded such a system; nor was the nature of English society such as to make Englishmen long patient of it when it was actually attempted. By 1660 the die had been cast in favour of other methods. What was restored in 1660 was not Monarchy but Parliament; and when James II ignored the verdict the lesson was driven home by the revolution of 1688. Henceforth the theory of the English State is a theory not of the administrative absolutism of a king, but of the legislative omnipotence of a parliament—a parliament which, indeed, includes the King as well as the Lords and Commons, but moves steadily through the eighteenth century to the signification of Lords and Commons, as it moves again, from 1832 onwards, to the signification of the Commons alone. Under the conditions of the eighteenth century we may speak of this Parliament as absolute. The sovereign, which ‘is called also the legislature of the State’, Paley holds, has a power which ‘may be termed absolute, omnipotent, uncontrollable, arbitrary, despotic’; and Burke similarly speaks of ‘the unlimited and illimitable nature of supreme sovereignty’, as Blackstone also writes of ‘a supreme, irresistible, absolute, uncontrolled authority’.¹ From this point of view the legislature appears as the *Trager* of an absolute *Staatsgewalt*; and if we wish to heighten the picture we may say that it not only legislates, but also virtually appoints, and actually controls, a ‘government’ which consists of an *Ausschuss* of itself that goes by the name of Cabinet.

But we must not exaggerate this absolutism. In the first place, there is also the ‘Crown’; and, though the nature of the Crown is mysterious, ‘administration’ is done in its name. The ‘government’ may be, in some sense, a legislative *Ausschuss*; but it is also a body consisting of His Majesty’s ministers, or at any rate of his principal ministers. In the second place—apart from the limits imposed on the legislature by other parts of the constitution, in which we have to include a great judicature, with its

¹ Paley, *Principles of Moral and Political Philosophy*, book vi, c. vi; Burke, *Speech on American Taxation*, vol. ii, p. 433 (in Bohn’s edition); Blackstone, *Commentaries*, vol. 1, p. 49.

own historic tradition of law, as well as the Crown, its ministers, and their subordinate officials—we must remember that, in and by itself, Parliament simply legislates, and its absolutism only expresses itself in the form of legal enactments. None the less, and when we have made these allowances, the legislature still remains the core and kernel of the State. It has given the Crown its title, by the Revolution settlement; it has generally become the central force of the State. It follows that the activity of the State will be largely an activity of the legislature. It follows on this in turn that there will be less importance attached to central administration. It follows on this, again, that local government will tend to proceed on its own orbit, with little reference to the central administration, and under the direction (so far as there is direction) of the central legislature. In a word, we shall have a central parliament of nobility, gentry, and their allies in the mercantile class: we shall have a number of local parliaments, or county legislatures, of much the same composition; and between the two the idea and practice of administration, whether central or local, will be largely elided.

This was indeed the general character of the English State in the eighteenth century. It was a State of legislators, and therefore of amateurs. It was not devoid of central administration, and it was far from devoid of central administrative departments, in which offices of profit might be enjoyed; but these departments were peculiar, alike in the class of officials whom they employed, and in the nature of the powers which those officials exercised. Office was a property, for which a consideration was paid at the time of acquisition; and officials recruited on this basis were not so much professional administrators, after the Prussian pattern, as *rentiers* who were anxious to draw good dividends from the investment they had made, and who were drawn themselves from the propertied classes which were able to make the necessary investment. Each department had a 'fund', constituted mainly of the fees which it received (and which it naturally did its utmost to increase); the 'patentee' at the head of the office, acting as a sort of *entrepreneur*, took care of his share of the profits, and left the subordinates to fare as

best they could. Such a system did not ensure capacity; and in any case the powers and position of the departments left little room for its development. The departments were for the most part boards, meeting round baize-covered tables; and their administration had the characteristics of administration by boards. The boards multiplied; each of them 'deliberated'; one of them 'referred' an issue to another; rapidity of administration was lost. It was a more serious matter that these boards had seldom a real power of direct administrative action. They issued warrants to act, or instruction about action; they were not themselves the organs of action, or even the inspectors of its efficiency. Secluded in their offices, and among their papers, they did not touch the citizen directly; and the Napoleonic principle of 'active administration' was a thing which was almost unknown.

Under these conditions there was little if any control of local administration by a central administrative authority. There was no 'Ministry of the Interior': before 1782 there was not even a separate Home Office; until that date internal affairs had been assigned, along with Irish matters and foreign relations with the southern States of Europe, to the southern Secretary of State. Local administration was in the hands of the justices of the peace of each county and the municipal councils of each borough. The justices of the peace were particularly powerful; the administration of the poor law, which under the Elizabethan system had shown some signs of parochial independence, was brought entirely under their sway by an Act of 1691 which subjected the parish overseers to their directions; and the so-called 'Speenhamland Act of Parliament', of 1795, shows how the 'college' of Berkshire justices, meeting at the Pelican Inn near Newbury, could initiate its own policy of public assistance as if it were a sovereign body. So far as there was any central control of local administration, it was not administrative control, but either legislative or judicial. On the one hand, Parliament, in the way of Private Bill legislation, settled a host of problems of local administration (as, for instance, the paving and lighting of streets), and, incidentally, appointed

a host of special authorities, under the name of Improvement Commissioners, in connexion with its settlements. On the other hand, the courts of law, by the procedure of *certiorari* and *quo warranto*, kept local authorities (and administrative authorities in general) within the bounds of law appointed by the legislature; and the rule of law, which on our English interpretation includes the absence of administrative courts and jurisdiction, was thus secured. Apart from these restrictions local self-government, as it existed down to the era of change which began about 1830, was a paradise of autonomy. There were theorists who held that this was one of the ways in which 'the balance of the constitution' was preserved. Local self-government must balance central government, no matter what balance of different functions and organs that government itself contained, if the general liberty of the nation was to be safe.

§ 7. *The Reforms of English Administration in the
Nineteenth Century*

A new period in the history of our central administration begins with Burke's speech on economical reform in 1780; a new period in the history of local administration, which also involves a crucial change in English conceptions of central administration and its relations to local authorities, begins with the Poor Law Amendment Act of 1834. The movement which began with Burke, continued with Chadwick, and is still at work, has given us a new system of central administration, and a new Civil Service. The multiplicity of boards has gone; a more logical articulation of administrative functions, and the creation of administrative departments for each of these functions, has taken its place. The Home Office is still the residuary legatee of internal administration; but by its side (apart from the all-seeing Treasury) there is a Ministry of Health, concerned with local government, and some eight other departments, all concerned in their various ways with the administration of internal affairs. The officials of all departments are a professional class, paid and pensioned directly by Parliament from the general revenues of the State (though it was not till the middle

of the nineteenth century that this system became universal); and since 1870 the principle has been established that they should be generally recruited by open competition.

An effective instrument of civil administration has thus been created, with a regular organization of different departments for its working; and with this development (which indeed was intended to serve that purpose) the English system of central administration has undergone a revolution of scope and function. The legislative State of the eighteenth century could not cope with the needs of the industrialized England of the nineteenth century. A vastly increased population, redistributed by 'industrial transference', vexed by industrial problems, and raising on every hand grave issues of adjustment, demanded a more flexible instrument of regulation than parliamentary Private Bills and judicial rulings. Beginning with the Poor Law Amendment Act of 1834, which introduced central administrative control in the sphere of public assistance, we have gradually progressed a long way in the direction of the administrative State. Parliament is still active; but the volume of administrative activity has increased in a far greater proportion. In the main, the administrative activity of the State is concentrated in London. We have nothing analogous to the French prefect or the Prussian *Regierungspräsident*. State administration, as it appears outside London, mainly takes the two forms of inspection (by the local 'inspectors' of the central offices), and of financial criticism and check, which is all the more necessary as the State contributes large grants to the expenditure of local bodies.¹ But the scope and the functions of administrative activity in London to-day might amaze even Chadwick, the vigorous champion, in 1834, of central administration on the model of France. The central administration not only administers actively in the sense of discharging public services in accordance with the policy of government and in obedience to the expressed will of Parliament; it also legislates, and it also judges. It legislates

¹ The central government of the State, as Mr Sidney Webb wrote in 1910, 'has successively "bought" the rights of inspection, audit, supervision, initiative, criticism and control by the grant, in aid of the local finances, of annual subventions from the national revenue'.

by 'orders', as authorized by Parliament thereto, in order to supplement and execute in detail the general provisions of its Acts. It judges, in the sense that it decides, if and so far as it is authorized by Parliament thereto, contentious issues arising under a variety of Acts, more particularly those relating to social matters such as housing and insurance. In this sense England is beginning to know 'administrative law'; and the old idea of the universal 'rule of law', administered by the Common Law judges, is losing some of its rigour.

A parallel and connected revolution has also occurred, during the century since 1832, in the nature of local administration. The old system of amateur government by the general competence of the justices of the peace in the county, subject to such central control as Parliament and the courts of law could enforce, has been gradually eliminated; and at the same time, but with far greater rapidity, the old system of municipal government and slow-moving civic oligarchies has also been abandoned. The reform of the national electoral system in 1832 naturally led to the reform of the local electoral system in towns and also to the creation of a new electoral system in counties. The Municipal Corporations Act of 1835 introduced into a new industrialized and urbanized England a new method of municipal government by elected councillors which was at once more democratic and more effective. The Poor Law Amendment Act of 1834 instituted elected Boards of Guardians in the area of each Poor Law Union to take over the control of poor relief from the justices of the counties. For many years subsequently it seemed as if each new service which the State undertook, whether it were the provision of communications, or of sanitation, or of education, were destined to result in the creation of a new *ad hoc* elected body, with its own special area and its own separate electoral system. Highway Boards were instituted; Urban Sanitary Districts were created; School Boards were erected under the Education Act of 1870. In so far as the old functions of the justices were transferred, or new functions were assigned, to local elected bodies, the result might be argued to be democracy. It might also be argued to be polyarchy; and

it was at any rate obvious that the government of great urban communities, and of great urbanized areas, could hardly prosper when each new purpose was assigned to a new and separate authority. The Act of 1889, which erected some sixty county councils, and gave to the councils of some sixty county boroughs the powers of county councils, not only completed the elimination of the old governing powers of the justices in their quarter sessions; it also provided a new focus for the development of a new system of 'integral' local government. Two subsequent Acts have contributed to that development since 1889. One was the Education Act of 1902, by which the councils of counties and boroughs took over the local control of public education from the School Boards: the other was the Local Government Act of 1929, by which they succeeded to the Boards of Guardians in the control of poor relief. The county council has now become the general local authority; and it has added a new and important element to the system of local government by acting, for the purposes of education and poor relief, through special committees on which co-opted members of the general public, representing experience and knowledge in those fields, can sit and vote by the side of its own elected members.¹

Two other changes have accompanied these large and sweeping developments.

In the first place, local government has developed its own administrative staff, appointed by local elected bodies, and acting under their general control. Locally, as well as centrally, the cult of the amateur has yielded to the profession of the administrator; and county education officers, to take only one example, have become important officials, 'balancing' (in a new way) the officials of the Board of Education in Whitehall. In the second place, as we have already had occasion to observe, the new growth of local government and local administration from below has come into a new relation, and formed a new

¹ This method of acting through special committees which included co-opted members had long been used in the municipalities of Prussia. Lord John Russell, in an abortive education bill of 1853 intended for boroughs, had already proposed that each borough council should set up a school committee, and that half of the members of the committee should be co-opted.

system of connexion, with the growth of central administration from above. The central Parliament and the central courts of law have still their say in the sphere of local government; but it is now the various departments of the central administration which are most vitally connected with its operations. We have already seen how this connexion has been established, and how the departments have 'bought' their rights of inspection and criticism by the provision of grants in aid. It only remains to add that the general nature of the connexion is neither central control, nor decentralized local autonomy, but rather co-operation—co-operation between central departments and local authorities in realizing the declared will of Parliament and furthering the declared policy of government.¹

CHAPTER II

CONSCRIPTION

§ 1. *Military Organization in its relation to Political Ideas*

WE have traced, in three crucial instances, the modern development of that system of administration, central and local, which secures the due discharge of public services. We have now to sketch the development of the methods by which the State exacts from its members the performance of two duties inseparably connected with its services—the duty of providing armed forces to render, in the last resort, the service of maintaining order and peace, and the duty of providing a revenue to support the cost of that and of all other services. When we have dealt with the methods by which the State has sought to secure from its members the performance of those two duties, it will remain to deal with the methods by which it has also sought to secure for its members the enjoyment of two rights.

¹ The writer, in this summary sketch of the development of modern administration, has confined himself to three main types, which seemed to him representative—the French and Prussian, as different examples of the general Continental trend; and the English, as representing a peculiar trend which during the nineteenth century (along with the English Parliamentaryism with which it was connected) began to be studied and imitated on the Continent.

They are rights which are inseparably connected with its services; and indeed their enjoyment is the very object and purpose for which some of the main services of the State exist. One of them is the right to the service of education. The other is the right to those 'social services', as they have come to be called, which consist in the maintenance of life and health by the provision of adequate housing, of healthy conditions of factory work, of compensation for injury incurred in the course of work, of insurance against sickness and unemployment, of assistance in the event of destitution, and of pensions for old age.

The size and composition of an army, and the nature of its position in the general system of a State, mainly depend on two factors, one of which is changing and the other constant. The constant factor is the geographical situation of a State, and the problem of its frontiers. The changing factor is the political idea, or set of ideas, which dominates the State at any given time. The political idea dominant in France down to 1789 (and even afterwards, though it assumed a new and Napoleonic form after the Revolution) was the idea of absolutism, which made the absolute monarch claim not only to dominate the State, but to be its very essence and incarnation. Under a system of absolutism the activity of the State tends to become an activity of war. War, in itself, is the greatest of games for an absolute ruler; and it also offers to the 'owner' of a State a chance of increasing the area of his 'ownership'. The army, under these conditions, is next to the throne; and the business of administration, as we have already had occasion to observe, becomes the business of providing and equipping an army. But absolutism is faced by an inherent defect, even in the very matter which lies nearest to the heart of an absolute ruler. It cannot, in its own logic, attempt to create a national army. It may appeal on occasion to the nation, as Louis XIV did in 1709, when he was confronted by demands from his enemies which wounded France as well as her king; but its normal army will be an army determined, not by the energy of a national will, but by the extent of its own power to compel the services of its subjects. A national or civic army—an army

which is the 'people in arms', or the *levée en masse* of the nation—must in the long run require a national or civic polity.

There is a paradox in this matter which cannot but suggest mixed reflections. Absolutism in its nature tends to be bellicose; and yet its nature imposes a limit upon the armies which it can raise. It seems difficult to think of a whole nation as bellicose by nature, though it may well be so in a moment of national excitement; it seems particularly difficult to think of nations as bellicose when once they have developed a democratic practice of government, which involves the pacific process of discussion and debate upon all issues, including the issues of peace and war. And yet vast national armies, of unprecedented dimensions, have accompanied the growth of national self-consciousness, and even of democratic institutions. It may seem to many a tragedy of history that such a growth should be accompanied by such a shadow. But there is a logic in the connexion; and the shadow is not entirely black. An army which embodies the whole of a nation is from one point of view a 'conscript army', compulsorily enrolling its hundreds of thousands; and that is the point of view which is natural to English thought. But such an army, from another point of view, is a 'civic militia' in which all the members of a civic community voluntarily join in order to serve the commonwealth not only by vote and tax, but also by a greater gift. This is the point of view which, in the course of the nineteenth century, came to be natural to French and German thought. It is not a point of view to be summarily rejected. A civic force, whose members must spend themselves in war, is not necessarily 'militarist'; indeed, it may be the opposite. It is still difficult to pass a final judgement on the system of a 'nation in arms', because the historical development of that system has not been pure and unalloyed. Though it is a system which is not in the logic of absolutism, and though it belongs, on the contrary, to the idea of the nation and national sovereignty, it was none the less connected with absolutism in its beginnings, alike in Napoleonic France and in Hohenzollern Prussia. The movement of national ardour, in the first decade of the

nineteenth century, fell under the glamour of a modernized absolutism; and it flung its gift of a national army at the feet of a French emperor and a Prussian king. Times have changed; but national self-government is still a new thing on the Continent of Europe. We are only some sixty years removed from the fall of the second Napoleon, and less than a third of that time from the fall of the last king of Prussia. The fates have not yet pronounced on the conjunction of a national army with national self-government, or on the permanent results of that conjunction.

§ 2. *The French and Prussian Armies down to the end of the Eighteenth Century*

The French army of the *ancien régime*, down to 1789, was a professional force, without being altogether a profession. A confusion between State and Society still persisted in France, and the army of the State was infected both by social privileges and by economic processes. The officers were members of the nobility who had bought their commissions; and the raising and payment of troops was a sort of economic undertaking, on the basis of a contract made with the government, in which the officers might make a profit on their men, or might possibly incur a loss. It was the general system of the time; and it was equally current in England, where it lasted into the nineteenth century. Louvois, the War Minister of Louis XIV, left the system much as it stood, and he contented himself with insisting that the men for whom the officers drew pay should actually be on the strength, and with seeking to improve the higher command and the technical equipment of the troops. The army grew in numbers to suit the ambitions of his master; and from this time onwards France had a large standing army, such as had not been seen since the days of the Roman Empire. On the eve of the Revolution the regular army numbered 173,000; and it could be raised, in time of war, to 211,000. This was a voluntarily enlisted force, one-sixth of which was composed of foreigners; and, though it was large, it was not altogether out of proportion to the size of the

French population, which now numbered something over 25 millions. In addition there was a militia for home defence of 55,000 men, which could be raised, in time of war, to 76,000. The number of men annually required for the militia was only 10,000; and these were raised by a form of conscription, irregularly applied, and attended by numerous exemptions. Both in the raising of the regular army by voluntary enlistment, and in the use of a modest form of conscription for the militia, the French system was much the same as that of contemporary England; and indeed the French army, down to the Revolution, only differed from the English in its size.¹

The Prussian army, in the form which it had assumed by the middle of the eighteenth century, was peculiar; and its analogies, so far as any existed, were rather with Russia than with western Europe. The Great Elector, by the year 1660, had gathered an army of 25,000 men. His successor Frederick I raised the number to 40,000; and he formed in addition a militia, which, however, disappeared with his death in 1713, and was not renewed until the *Landwehr* was embodied against Napoleon in 1813. (The absence of a militia, and an entire reliance on regular troops, is one of the peculiarities of eighteenth-century Prussia.) It was the achievement of Frederick William I to raise the standing army during the course of his reign to 80,000 men (half natives and half foreigners), and to make that army, in drill and discipline, incomparable in Europe. It was the further achievement of Frederick the Great to double the army which his father had already doubled before him, and to test and temper it in years of battle. By 1789 the regular army of Prussia was 162,000 men, rising to 250,000 in time of war, as compared with the French army of 173,000, which could be increased in war to 211,000 or (if the militia be included, at its war strength of 76,000) to 287,000. When we reflect that the population of Prussia in 1789 was less than one-third of that of France, we cannot but recognize that the

¹ It is worth remarking, in this connexion, that the population of England and Wales was only about one-third of that of France at the end of the eighteenth century

achievement was great—and that it was terrible. Napoleon, who once said of himself that he could use up 25,000 men a month, had nevertheless some justification for the proposal which he made to the Tsar, in 1809, that they should ‘do Europe the service of abolishing the system of enormous standing armies begun by Prussia’.

We have already remarked that Prussia, as a new State in process of formation, with far-stretched and scattered territories, was compelled to find unity in and through a super-imposed administration; and we may also add that, for just the same reason, she was also compelled, and compelled even more, to find unity in an army, where the noble officers and the impressed peasants of all her provinces could serve together. But it was the will of a Hohenzollern king, as well as the pressure of impersonal forces, which made Prussia the successor to Rome, as Rome had been the successor to ancient Assyria. Frederick William I is an important figure in the history of Prussian administration; he is a still more important figure in the history of the Prussian army. A sturdy ‘Republican’ of an antique type, he offered to the Republic (as he conceived it) a full measure of military devotion.

He made a great standing army which differed from other armies, not only in being far greater, in proportion to the population on which he could call,¹ and not only in being more truly standing, because it was kept embodied in peace, but also in being supported by an accumulated war treasure, which Frederick the Great largely increased in spite of his wars. Voluntary enlistment was originally the method employed for raising the army, but recourse was soon had to impressment in recruiting the native troops, who numbered 40,000; and eventually, without being introduced by any law or edict, an informal method of conscription began to be applied. The captains of companies introduced the practice of enrolling the lads of their districts at an early age, giving them some token of enrolment, and call-

¹ The army of Frederick William I stood at 80,000 when the population of his territories was estimated at only 2,000,000. It was 1 in 25 of the population, when the army of France was about 1 in 150.

ing them to the colours when they were considered ready for service. The burden fell particularly on the peasantry of the country-side; but the officers sought to extend it, in order to sell exemptions, to the middle classes in the towns. It was not a system of national service, either in the extent of its application or in the idea by which it was inspired; it fell particularly on one class, and its aim was not to nationalize the army, but to arm and drill as much of the nation as possible. But nobles as well as peasants were compelled to serve, and the officers who enrolled the peasantry had themselves been also virtually enrolled. The officer class in Prussia belonged to a more severe school than the officer class in contemporary France.

§ 3. *The History of Conscription in France and Prussia since the beginning of the Nineteenth Century*

The emergence of a national army, in the proper sense of the word, is connected with the French Revolution, which brought the conception of the nation into the foreground of general politics. The nation, conceived as a 'person' with a *moi commun*, had come by 1789 to be regarded as the State; it was natural that it should also come to be regarded as an army. This was the logic of the Revolutionary doctrine; but it is instructive to notice how tentatively and with what variations of policy the most logical of nations has followed that logic. It would be a mistake to think that the old professional army of France disappeared with the Revolution. It became the army of the Revolution; its fine non-commissioned officers, and some of the best of its officers, passed into the Revolutionary service; ten of the marshals of Napoleon had been privates in the reign of Louis XVI. Nor, during the earlier years of the Revolution, was the old method of voluntary enlistment dropped. Apart from the *levée en masse* of 1793, originally proposed for the whole of the people of France, but reduced by Danton to the more modest dimensions of a compulsory enlistment of Frenchmen between the ages of 18 and 25, the army continued to be recruited on a voluntary basis down to 1798. In that year the Directory, harassed by wars, passed the Law of Conscription,

and thus introduced, for the first time in Europe, the principle that the regular army (as distinct from the militia) should normally be composed of conscripts. All unmarried Frenchmen between the ages of 18 and 25 were henceforth made liable to service, and an annual law was passed to determine the number actually required in each year. The Law of Conscription was intensely unpopular; and of the 200,000 men required, in the first year of its application, the Directory only succeeded, after months of pressure, in actually raising less than 40,000. But Napoleon, when he became First Consul at the end of 1799, inherited an instrument which his organizing ability and the prestige of his victories enabled him to turn to good effect. If we include the members of the National Guard, or civic militia, which still continued to exist under the Consulate and Empire, though it was only one-seventh of the total military force, we find that the annual levy amounted, during the four years of the Consulate, to 52,500; during the first four years of the Empire (1804-7) to 107,500; during the next five years (1808-12) to 166,600; and in the single desperate year of 1813 to 1,140,000. It was some alleviation of the burden, to the nation at large, that it fell on the unmarried; that a system of drawing lots made its incidence fall with some sort of rough justice; and that it was possible for those on whom the lot fell to provide substitutes—at a price. But the burden remained; and there were constant attempts to evade its terror. If Frederick William I's agents had been man-hunters in search of recruits, Napoleon's police had to perform the same office.

With the Restoration the law of conscription was abolished; and France went back to a standing army, on a footing of 240,000 men. Voluntary enlistment soon proved inadequate; and it had to be supplemented by the old method of drawing lots. The Orleans Monarchy, in its general movement towards the principles of the Revolution, reorganized the army on the principle of national service or general conscription; but the law of 1832 allowed a conscript to send a relation, or a paid substitute, in his place. Napoleon III, by a law of 1855, ingeniously made the principle of national service yield the

practical result of a professional army. He allowed the conscript who did not wish to serve, instead of sending a paid substitute, to pay a sum directly into the *Caisse de la dotation de l'armée*; and the funds thus secured enabled his government to choose substitutes freely, and to make the army mainly an army of professional soldiers. Nominally, the principle of national service continued to exist in France, on a scheme under which five years were spent with the colours and four in the reserve; but the actual practice was that of a paid regular army, with a weak and ill-trained militia, and this was the system which collapsed before the Prussian army in 1870.

The Prussian army of 1870 was a very different force from that which Frederick William I had raised and drilled, and Frederick the Great had increased so largely and used so victoriously. The old eighteenth-century army of Prussia had been broken at Jena by the new instrument which had been forged in France; and the defeat and *débâcle* had been followed by a vigorous policy of reform. Two forces concurred to carry this policy to success. One was the organizing genius of the Prussian higher command; the other was the emergence, in Germany at large, and in Prussia even more than elsewhere in Germany, of a national sentiment provoked by the action of Napoleon. The military zest and the administrative skill of the Prussian Government was thus enabled to enlist in its service the spontaneous national ardour of a people already drilled and inured to war by a century and more of training. Absolutism wedded itself to nationalism by creating a new national army. Already in 1807 a Commission of Military Reorganization was formed under Scharnhorst; and the Commission resolved that the old army, with its mixture of peasant conscription and foreign enlistment, should be turned into a national army which was 'the union of all the moral and physical energies of the nation'. Foreign troops were to disappear; in place of a partial conscription of the peasantry, there was to be a general conscription of the Prussian people with a comparatively short period of service in the ranks, after which men were to pass into the reserve; and a new national militia was to form a last line of defence.

The inauguration of the new system was involuntarily provoked by Napoleon himself. He insisted, in 1808, that the Prussian army should be limited to 42,000 men and that Prussia should have no militia. The Prussian command observed the limit; but it passed so many more men through the army, for a shorter period of service, that within a few years the number of those who had been trained to arms was almost four times the amount of the limit. When war came again between Prussia and Napoleon in 1813, a militia or *Landwehr* was also embodied, and another part of the original scheme was thus carried into effect. A new pattern of military organization had been given to the world, which was gradually consolidated in Prussia and ultimately imitated elsewhere. A period of some two or three years of training; the formation of a general reserve from those who had received that training, with the provision of *cadres* and equipment for them in the event of their being called back to the colours—these were the features of the new pattern.¹ It was a system of national service, but it differed from the system which had been enforced in France between 1798 and 1814; on the one hand, it only imposed a short period of active service; on the other hand, it allowed a large expansion in time of emergency. Napoleon had called up only a portion (which it is true grew steadily larger) of those who were liable to serve, but he had called them up for long service; Prussia called up, at any rate in theory, all those who were legally liable to serve, but she only demanded, in the first instance, a period of three years under arms.

The Prussian system, as it stood in 1815, lasted until 1860. It was drastically reinvigorated, but not fundamentally altered, by the reforms of 1860, when the Prussian Regent William, afterwards William I of Prussia, achieved with the aid of Moltke and von Roon one of those military reorganizations which again and again have formed such conspicuous landmarks in

¹ Under the law passed in 1814 there was a universal obligation to serve for three years in the line, two years in the reserve proper, and fourteen years in the *Landwehr*. During the first seven of these fourteen years, members of the *Landwehr* were liable to serve at the front; during the second seven, they were only liable to garrison duty

the history of Prussian development.¹ The period of service with the colours, which had been allowed to fall to two years, was again to be raised to three; and some forty new regiments were to be created, in order that room might be found in the ranks for the increased population of Prussia (now 18 millions, while fifty years before it had only been 10 millions), and the legal obligation of universal service might thus again become, what for some it had ceased to be, an actual fact. The Prussian Parliament, only recently instituted under the constitution of 1849-50, was opposed to the reorganization, which entailed a heavy permanent expenditure; but by the aid of Bismarck, acting as president of the ministry, the reform was carried in its teeth and made to assume a constitutional as well as a military significance. The victories of Prussia in 1866 and 1870 gave the justification of material success to the new military organization—and also to the constitutional methods by which it had been achieved. Parliament in Prussia had learned its lesson; and another lesson had also been learned by the governments of continental States. The Prussian type of army was the army of victory.²

France, as we have seen, had pursued a chequered course in her policy towards conscription during the many vicissitudes of her history between 1789 and 1870. The policy of conscription had been adopted in 1798; it had been renounced at the Restoration; it had been adopted again under the laws of 1832 and 1855; but the permission, and even the encouragement, of the method of 'substitution' had turned into a professional force what professed to be a national army. By 1872

¹ The landmarks in English and French history since 1660 have been revolutions of political sentiment and reforms of political organization—in England the Revolution settlement of 1688 and the Reform Bill of 1832, in France the Revolution of 1789 and the institution of the Third Republic in 1871. The landmarks in Prussian history have been reconstructions of the Prussian army—in the reign of Frederick William I, between 1807 and 1813; and between 1860 and 1864. But these military reconstructions have been accompanied by other and ultimately deeper reforms.

² As it stood in 1870, the Prussian system involved 2½ years of service with the colours, 4 in the reserve, and 5½ in the *Landwehr*. The reserve only was intended to supplement the standing army, and the *Landwehr* had its own separate organization. (Sir Frederick Maurice, in the *Camb. Mod. Hist.* xi 579)

the Third Republic had already made a final decision in favour of real conscription and a genuine national army. Two causes helped to secure the decision. Not only was the triumph of the Prussian system of conscription an obvious fact; there was also the deeper motive of loyalty to the logic of the Republic. If the Republic rested on the bases of national sovereignty and national self-government, it was the duty of its citizens to secure its existence by national service in its army. A system of universal and personal service was accordingly imposed. Under this system five years were to be spent in full service with the active army, and each citizen was made liable, during the next fifteen years, to recall for temporary service first in the reserve of the active army, and then in the territorial forces and their reserve. The system was more than once varied between 1872 and 1914; but the variations only turned on two points—the total length of service, which by 1914 had risen from twenty to twenty-eight years; and (more especially) the length of service with the active army, which, after having been reduced as low as two, stood in 1914 at three years. In the German army (into which the Prussian army had passed, with the armies of the other German States, under the constitution of 1871) the total period of service, on the eve of the War, was twenty-five years; and only two of these were spent in the active army.¹ The other great States of the Continent—Austria-Hungary, Italy, and Russia—had armies of a similar pattern, based on universal and compulsory service, with a total duration ranging from nineteen to twenty-three years, and a period of training in the active army for either two or three. This was the general system which was plunged into general war in 1914. It is also the general system which, on the whole, has emerged from it, with the one crucial exception that, by Article 173 of the Treaty of Versailles, universal compulsory military service is abolished in Germany, and the German army (limited under Article 160 to a total number of 100,000 ‘effectives’, who must be devoted exclusively to the maintenance of internal order and

¹ It is just to add that the population of the German Empire in 1910 was 65,000,000, and that of France, in 1906, 39,250,000.

the control of frontiers) 'may only be constituted and recruited by means of voluntary enlistment'.

§ 4. *The English Army in the Eighteenth and Nineteenth Centuries*

The English army, it need hardly be said, has pursued an isolated and insular line of development. There was conscription in England during the Civil War in the seventeenth century; and by 1642 both Royalists and Roundheads were forcing into their armies 'mechanics rather than husbandmen, and single men in preference to married', between the ages of 18 and 50. But civil war creates no precedents; and the normal military system of England, since 1660, has known little of conscription. The organization of the English military forces between 1660 and 1815 rested on a distinction between the standing army (which began its life in 1660 with some relics of the previous Cromwellian Army) and the militia. The standing army was a mercenary army raised on a basis of stipendiary contracts made with the king, by a method under which the officers, much as in France, acted as 'middlemen', and made such profits as they could. This standing army, connected by contract with the king, and regarded as a dangerous asset of monarchy, was viewed with a general disfavour; and it was kept under civil control not only by Parliament, which would only pass an annual Act for the maintenance of its discipline, but also by the courts of law, which brought the acts of the soldier, like those of the administrative official, under the cognizance of the common law. The militia had an entirely different position. It did not rest on a basis of contract; it rested on the common-law basis of the obligation of all Englishmen to defend their country against attack. This common-law obligation, interpreted and regulated by Statutes, such as the Militia Acts of 1757 and 1804, involved a form of conscription, with a method of balloting to determine the persons who were actually to serve. Paradoxically, and yet very naturally, this conscript force was the popular part of the English military system. It was no great hardship to be drilled for some summer days in the militia, and it was always permis-

sible to provide substitutes. The local militia was a part and a pillar of local self-government; its control was virtually in the hands of the local gentry; and it could be, and was, regarded as the prop of the Parliamentary State, which was thus able to 'balance' the king's contracted mercenaries by a force sympathetic with the knights of the shire and their brother burgesses.

This eighteenth-century military system, singularly congruous with the general political ideas of the time and the general system of administration,¹ was gradually reformed during the nineteenth century. The reform moved along lines which were generally parallel with the lines followed by the reform of English administration in the same period; but it moved at a slower rate, and it was attended by a more pertinacious survival of elements of the older system. As early as 1783 the Crown began to make its own direct contract with its regular troops; but the old system, under which the officer acted in the capacity of a 'middleman', still continued to exist down to the Crimean War of 1854. The militia survived during the whole of the nineteenth century. It fell into decay after 1815, and the method of balloting was suspended in 1829; it was reorganized on a voluntary basis in 1852, and in 1871 its control was transferred from the lord lieutenants of the counties to the Secretary of State for War. By its side there developed another force, not depending in any way on a common-law obligation, but resting entirely on free consent—the volunteer companies. First created in 1804, under an Act which allowed the Crown to use the services of bodies of volunteers, this force disappeared, except for some cavalry regiments called Yeomanry, after 1815. Re-created in 1859, after the troubled years of the Crimean War and the Indian Mutiny, it became a permanently organized body, with a parliamentary grant for its maintenance; and the English military forces thus consisted at the end of the nineteenth century partly of a 'Regular Army' and partly of 'Auxi-

¹ Just as central administration was weak, so was the central army; just as the 'patented' official was an *entrepreneur* or middleman, so was the commissioned officer; just as Parliament and the judicature regulated the civil State, so they regulated what Blackstone calls the 'military State'; and just as the local gentry controlled local government, so they controlled the local militia.

liary Forces' which included the three several elements of the militia, the yeomanry, and the volunteers.

The reorganization achieved by Haldane in 1907 instituted a new system. Under this system there is henceforth a strengthened Regular Army, consisting not only of the active forces, but also of an army reserve, into which the militia has now been absorbed; and there is also a new Territorial Army, which is formed from the old yeomanry and volunteers (recruited under a new form of enlistment, and for a more effective training), and administered, under the general control of the Secretary of State for War, by County Associations representing the old local principle of the old and vanished militia. This was the system with which England entered the War in 1914, but which was drastically modified during its course by the introduction of conscription. It is the system now in force, with that modification removed.¹

CHAPTER III

TAXATION

§ 1. *Taxation To-day and in 1660*

FROM one point of view a modern State is a great business undertaking. It is engaged in the supply of services, ranging from those of postmen to that of the King or President; and it will seek to recover the cost of these services from the consumers, who are its own members, on a system partly determined by the amount of their consumption, and partly by their ability to pay—in much the same way as a doctor seeks to recover the cost of his services from his patients. Taxation is thus the reverse side of a great service-rendering organization, and the burden of its incidence will necessarily depend partly on the amount

¹ The English system thus includes two elements. The first is a professional army, composed of troops voluntarily recruited and serving under contract at home and overseas for a period of twelve years (seven, as a rule, in the active army, and five in the reserve) to the number of some 150,000—apart from India. The second is a non-professional force, composed of men (also voluntarily recruited) who continue to pursue their own professions and occupations, but simultaneously receive some military training, and are under a liability in virtue of their terms of enlistment to serve overseas in the event of war if Parliament gives its consent.

of the services supplied, partly on the method by which their cost is distributed among the different consumers, and partly on the ability and the economy with which both the supply of services and the collection of costs are organized. The essential necessity, upon this basis, is a clear and firm conception of the State as supplying public services and recovering public costs. If that conception is clearly held and firmly applied, it will follow that only public services are met at the public cost. It will follow, again, that all who benefit by public services must help to defray public costs, and that no class can escape that obligation. It will follow, finally, that all who are concerned in the supply of public services, or the recovery of public costs, must themselves be public officials and not private 'middlemen'.

Few of these conclusions were drawn in 1660 (or, indeed, for long afterwards) because the conception of the State on which they depend had hardly been apprehended. Louis XIV had indeed attained some idea of the State as incarnate in his own will and superior to all social interests. But it was only in the sphere of administration (and even there only partially) that he succeeded in freeing the action of the State from the play of Society. In the sphere of taxation he left abundant relics of the old confusion. It would almost seem as if taxation were more recalcitrant than other matters of State, and were destined to remain an exception, and to retain an archaic character, in an otherwise modernized system. In the first place, the expenses of the king and his family continued to be confused with those of the State, and the costs of a great and splendid Royal Household were charged on the general public revenues. This was a medieval survival, which we may trace in England as well as in France (the creation of a separate English Civil List, to cover the separate cost of the Royal Household, belongs to the nineteenth century); but the position was made worse in France than elsewhere by the fact that the household, which included a pensioned nobility as well as a splendid court, was a greater factor in the general economy of the State. In the second place, there continued to exist a confusion between the management of State finance and the conduct of a profit-making enterprise.

This confusion showed itself doubly: it appeared in the farming of taxes by contractors, who sought to make private gains from the handling of public revenues; it appeared, again, in the purchase of 'places' by officials, who thus bought for a price what we should now regard as the duty of public service, and then made the exercise of that duty a method of making personal profit. In the third place, and above all, a confusion continued to exist between the system of State-services, with their attendant cost, and the system of social privilege, with its attendant immunities. State-costs, instead of falling on all members of the State with a pressure as uniform as possible, were so distributed as to correspond with a social régime of inequality. The nobility, whether of the sword or the robe, were granted large exemptions, and though it might be pleaded in extenuation that they already served the State with their lives or their labour, and should therefore be excused from the further service of bearing their share of its general costs, the fact remained that the burden of taxation fell peculiarly and predominantly on the poorer classes of the community.

§ 2. *Taxation in France, England, and Prussia during the Eighteenth Century*

Some of these confusions, which were grave defects as well as confusions, may be traced in Europe at large, as well as in France, during the period between 1660 and 1789. But they may be traced particularly in France. Finance was the weakest point in the structure of the *ancien régime*. It may well seem curious that the richest country in Europe should have had the worst financial system—and that in spite of the labours of ministers of finance such as Sully and Colbert; but the answer is perhaps to be found, on the one hand in the court's costly policy of *la gloire*, and, on the other, in a thrifty country's resolve to evade the payment of costs which it had no voice in incurring. These were the fundamental causes of the creation, and perpetuation, of abuses. Direct taxation (the old traditional *taille*, a lump sum for each *élection*, which was then subdivided among *communes*, and finally among the inhabitants of

each *commune*; the further *capitation* or poll tax, first instituted in 1695; the still further *vingtième* or percentage on property, first imposed in 1710, and made permanent in 1749) was made to press most on the poorest, just because they had least power of evasion. Indirect taxes, such as excises on alcohol and the *gabelle* or salt tax, fell heavily on the poor by their very nature; and the farming of such taxes, practised because the farmer could turn the screw most effectively under the impulsion of his own interest, added art to nature to increase the burden. Offices were indefinitely multiplied for sale, because office appealed to French instinct, and its sale afforded the one facile source of revenue; but the buyer of office had to recover the cost of his investment, with added interest, and the real burden once more sank down to the bottom of society. 'France would be too rich', wrote a French economist in 1758, 'if the taxes were equitably apportioned.'¹

They were neither equitably apportioned nor economically collected; nor were they expended, when they reached the hands of the Government, with an equitable regard to the requirements of public service, or on an economical system of public accounts. In the absence of any parliamentary scrutiny, too much was expended with too lavish a hand on the court and on war. In the *anarchie dépensière*² of a system of accounts which depended ultimately on the king's will there was no real rigour of audit, and the accounts were invaded not only by peculation, but also by a confusion which made it impossible to ascertain the *état au vrai* of the public finances. Chronic bankruptcy was met by *affaires extraordinaires*, or temporary expedients, which ranged from lotteries and anticipations of revenue to extorted loans and debasement of the coinage. The tax-payer retained, by dint of evasion, some hidden wealth; but he also retained a sense of injustice, provoked not only by unfair distribution and rigorous collection of the taxes, but also by what he could not but regard as selfish and extravagant expenditure.' As early as 1707 the great military engineer

¹ Cited in the *Camb. Mod. Hist.*, vol. viii, p. 70.

² The phrase is that of Rocquain, *L'Esprit révolutionnaire avant la Révolution*.

Vauban, turning publicist, had urged in his *Dîme royale* the national duty of all to contribute to the cost of public services in proportion to their ability, and he had sketched a new plan of taxation which removed exemptions, imposed on the working classes only $3\frac{1}{2}$ per cent. of the burden of direct taxes, and improved the methods of collection. His book was suppressed, and he died in disgrace in the year of its publication. Absolutism of the French type was too much wedded by its own autocratic nature and by its alliance with social privilege to financial extravagance and injustice; it could not reform them; and in 1789, when it fell, as it were, 'at the point of the purse', it was ruined by them.

The system of the English parliamentary State by its very nature differed fundamentally from that of France. The parliamentary vote of taxes meant parliamentary scrutiny of expenditure. Though the methods of appropriation (which devoted a particular tax to a particular service which it might, or might not, cover) were still imperfect, and though the methods of auditing expenditure, down to 1830, were equally imperfect, owing to the antiquated methods of keeping accounts,¹ there was some genuine public control of the public finances. Farming of the taxes was unknown; and if debt was incurred by the Government it was duly funded, and duly made to bear interest, by the institution of a National Debt, in connexion with the national Bank of England, in 1694. (The word 'national' is significant; the National Debt, as Maitland has noted, 'was owed, not by the Crown, but by "the Publick"'; and the investor in public funds was secured on 'the credit of the Nation'.)² Two general defects, however, continued to inhere in the English system during the eighteenth century. In the first place, there was still a confusion between what we may call the account of the king and the general account of the State. On the credit side, the account of the king included not only the

¹ Hatschek remarks (*Englische Verfassungsgeschichte*, p. 715) that though the system of book-keeping by double entry had been known and used in business since the reign of Elizabeth, it was still entirely unknown in the public administration of finances at the end of the eighteenth century.

² Introduction to Gierke's *Political Theories of the Middle Age*, p. xxxvi.

revenues of Crown lands, but also the proceeds of the various excises and of the Post Office (which had been instituted by Cromwell's Postage Act of 1657); on the debit side, it was responsible not only for the expenses of the court, but also for much of the expense of administration. It was a step in advance when, in 1760, the Crown received a parliamentary grant of £800,000 a year in lieu of the revenues from Crown lands, the excises, and the Post Office. But if the income of the Crown was placed on a new and better footing, its expenditure had still to be regulated; and a long series of financial reforms (which only began in 1782) had still to be undertaken before the public service of the Crown could be reduced to its proper place in the general system of public services.

The second defect of the English system of public finance in the eighteenth century was graver, and concerned the distribution of the burden of taxes among the different elements of the community. There was no exemption for classes in England; from 1664 onwards, when the clergy surrendered their old right of voting supply separately in convocation, the taxes voted by the national parliament fell on all members of the nation. But it was always possible to lighten the burden of direct taxation, which in the eighteenth century took the form of a land tax, falling mainly on the class of landed gentry who were particularly represented in Parliament; and any reduction of the land tax necessarily entailed an increase in the burden of indirect taxes—the customs levied at the ports and the excises (first introduced by Pym in 1643)¹ on articles of consumption produced within the realm. Here we touch an old issue of politics which is still with us. There is always a natural facility about indirect taxes. The payers of direct taxes, Walpole once remarked, were pigs that squealed if they were touched; the payers of indirect taxes were only sheep that let themselves be sheared in silence. The protectionist system of eighteenth-century England, alleging the need of customs duties for the

¹ The history of excise in England is largely a matter of following Dutch example, both in the seventeenth century, and afterwards in the eighteenth, when Adam Smith drew attention to Dutch methods.

support of English agriculture and industry, lent the sanction of high policy to justify a natural facility and a natural pull of interests. In the time of Walpole direct taxes varied in yield from £1,250,000 to £2,150,000: indirect taxes remained fairly steady at about £4,300,000—about double the amount of direct taxes even when they stood at their highest. The balance of English taxation was tilted, and it was only at the end of the eighteenth century, with the reforms of Pitt, that it began to be redressed.

The Prussian system of taxation in the period between 1660 and 1789 was superficially similar to that of France, but fundamentally different. Like the king of France, the Prussian King was an absolute ruler, who imposed his taxes to suit a military policy. He had his *Steuerräthe*, analogous to the French *intendants*, for the local supervision of taxes and finance. Under Frederick the Great, as we have seen, the Prussian customs and excise were organized on the French model, and largely managed by French officials. But these analogies and connexions lay on the surface; and there was a fundamental difference in the peculiar genius of Prussian absolutism, which sacrificed the revenues of the Crown to the requirements of the State, and practised a severe economy both at the court and in the cost of public administration. Frederick William I, by a prudent husbandry, made his Crown lands yield almost one-half of his whole revenue. If he excused his nobles (except in east Prussia) from taxation, he imposed on them a severe burden of military duty; and while he made the towns and the peasantry bear the burden of taxes—largely in the shape of the urban excise and the monopoly of salt which had been introduced by the Great Elector—he also made his *Steuerrathe* promote the prosperity of his towns and the development of Prussian industries. He accumulated a great army, but he also accumulated a large balance; and he left, at the end of his reign, a war treasure of 6 million thalers, which was equivalent to nearly one and a half years of the whole revenue which he derived from Crown lands and from taxes.

Frederick the Great was no less prudent than his father, and in spite of his many wars he left a treasure of 50 million thalers,

amounting to more than two and a quarter years of a revenue which was itself triple the amount that his father had collected. But Prussia suffered heavily under the strain imposed by a policy so rigorous. The coinage was debased; the monopoly of salt became a salt conscription, under which every family was compelled to purchase a quota; monopolies of tobacco and coffee were added to that of salt; excises (administered by his French superintendent) were imposed on all kinds of meat except pork, as well as on beer and spirits. It is true that Frederick, in a spirit of paternal protectionism, strove hard to promote the industries of Prussia—iron and timber,¹ linen and silk and velvet—and it has been calculated that in the latter half of his reign he spent 60 million thalers on economic development. But it is also true that the Crown lands were heavily rack-rented, that every consumer was heavily mulcted, and that the peasants were only allowed to spend on themselves a little more than a third of the money they earned.² The death of Frederick in 1783 was immediately followed by the abolition of the monopolies of coffee and tobacco, the dismissal of the French staff in the excise, and the beginning of a more generous policy in regard to Crown rents. Prussia remained solvent, though by 1790 the war treasure had already disappeared; and the excellence of her administrators, coupled with the growth of her territory and its progressive economic development, continued to ensure her solvency.

§ 3. *The Development of Taxation in the Three Countries since 1800*

In the history of taxation, as in that of administration and conscription, a new epoch begins in western Europe with the beginning of the nineteenth century. It would be impossible to recount the developments of that epoch; it is only possible

¹ He even issued instructions to housemaids about the use of touch-wood, instead of rags, as tinder to light a fire. This attention to detail may remind us of Napoleon, regulating the theatres of Paris during his Moscow campaign, or of the medieval Emperor Frederick II, determining by an imperial mandate what the maids of his palace should wear.

² In France, on Taine's calculation, the peasant had only one-fifth (19 francs in every 100 francs of net income).

to suggest some few of its salient features. In the first place, taxation begins to be adjusted to the cost of the public services which are genuinely required by the national State, and to be imposed without respect of persons on all who share in those services. The old confusions, by which expenses of State were mixed with the expenses of Court, and social privilege was allowed to distort the incidence of State taxes, now disappeared; and just as the conception of the national State altered administration and transformed the army, so it altered and transformed the system of public finances. In the second place, the growth of national parliaments, on the English model, supplied an instrument both for determining the necessary services and their respective costs, and for settling the methods by which those costs should be met. Absolutism—except in Prussia, and only there at a heavy cost—had failed to discharge that function; it had not succeeded either in settling the relative claims of the different services, or in apportioning on any basis of general satisfaction the incidence of the taxes which they involved; its great defect, and its final nemesis, had been finance. In the new system, as it is already enunciated in the Declaration of Rights of 1789, ‘all citizens have the right to settle, by themselves or their representatives, the necessity of making a public contribution, and to give their free consent thereto’. In the third place the battle is still engaged, if it is fought on the new basis of the national State, between the claims of indirect taxation and those of direct. Two factors affect the fortunes of the battle. One is the growth, among the European nations, of democratic and equalitarian sentiment, tending in favour of a system of direct taxation which will fall most heavily on those who are best able to pay their contribution. The other is the growth of national protectionism, which seeks at once to promote economic prosperity and to accumulate a revenue by a system of indirect taxes imposed upon foreign imports. It is a system which, from one point of view, seems to kill two birds with one stone; it is a system which, from another, seems to make each nation derive its revenue from taxes on other nations; but from both points of view it has exerted, and continues to exert,

a large attraction. It was not new in itself; it had been practised by Colbert, and it had been practised industriously by Frederick the Great. It was only new in its application to the national State, in a new economic era of rapid development and growing international commerce.

In France the first effect of the Revolution, following the logic of its principles, had been to reduce indirect taxes to a minimum, and to make taxation predominantly direct. This was in accordance with the Declaration of Rights of 1789, which had stated that 'for the maintenance of the public forces, and the expenses of the administration, a common contribution is indispensable, and this contribution must be equally divided among all the citizens in proportion to their means'. Napoleon, fortunate in the possession of 'extraordinary external receipts' (a designation which covered indemnities and requisitions), made little change in the direct taxes, but he gradually introduced a heavy burden of indirect taxation. Internally, *octrois* and excises—the *droits réunis* which France came to hate as she hated conscription—were again imposed. There were taxes on liquors; there was a salt tax, imposed in 1805; there was a tobacco monopoly, instituted in 1810. Externally, and at the ports, tariffs were regular after 1802; and the detailed tariff of 1806 was the basis of French tariffs for most of the nineteenth century. The system of *anesthésie fiscale*,¹ in which indirect taxes are predominant, was adopted in 1815, and continued long afterwards. Perhaps it suited the genius of France, which preferred to pay its taxes through monopolies and similar indirect methods, or at official moments of 'registration' and by way of the purchase of stamps; and yet the genius of France was in this respect not peculiar to France. In any case it was not until the beginning of the twentieth century that a searching and scientific system of direct taxation was attempted. What had delayed its development was partly an inherited prejudice against the extension of direct taxes, which were associated (in spite of the Declaration of 1789) with the oppression of the old régime, and partly, again, an inherited tradition of indirect

¹ Barthélemy, *Le Gouvernement de la France*, c. xi, sect. 11, *ad initium*.

taxation, which had been reaffirmed by the tariff policy of 1806 and afterwards; but it was also a rigid interpretation of the principle of equality, which was held to exclude the application of the principle of progression to direct taxes, on the ground that any surcharging of great fortunes and large incomes involved inequality of incidence. But the cause of equity was pleaded against that of mere equality; it was argued that equality itself—if not as between individual payers of direct taxes, at any rate as between the payers of direct taxes in general and the general body of payers of indirect taxes—involved the system of progressive direct taxation; by a law of 1901 the principle was applied to the inheritance of fortunes, and by another law of 1914 to general income. The old system of *réalité de l'impôt*, under which taxation fell on things, and was therefore indirect, begins to yield to a new system in which taxation falls primarily on *personnalité économique*.¹

There was no revolutionary change in the history of English taxation at the end of the eighteenth century. But if there was no revolution, there was a movement of financial, or as it was called by Burke 'economical', reform; and we may date the beginnings of that movement in 1782, exactly half a century before the political reform of 1832. The first effort of financial reform turned on the royal expenditure. In 1782, under the influence and guidance of Burke, the expenses chargeable against the King's account began to be brought into order, and henceforth, by a steady process, they were gradually confined to the actual expenses of the King's Household. The change which had begun in 1760, when the King's income had been made a fixed sum derived from parliamentary grant, was thus carried to its logical conclusion, and made to include the regulation of his expenditure as well as his income. A clear distinction was drawn between the personal account of the King and the general account of the State; and by the accession of Queen Victoria in 1837 this distinction assumed its modern form, in which the income of the monarchy (save for the revenues of the Duchy of Lancaster) is derived from a parliamentary grant

¹ Idem, c xi, sect ii, *ad finem*.

made for the purpose, and its expenditure (save for an exiguous pension list) is confined to the service of the household.

The regulation of the King's income and expenditure in a separate account not only removed an old source of confusion; it also secured the necessary basis on which Parliament could proceed to regulate the national accounts, and to improve its own imperfect methods of appropriation of supply to services and of audit of annual expenditure. This is the second effort of financial reform; and it began during the long ministry of the younger Pitt (1783-1801), which in so many ways formed an epoch in the history of English public finance. One of Pitt's great achievements was the institution in 1787 of a single Consolidated Fund into which the whole yield of customs and excises was to be paid, and he thus laid the basis for a system of deliberate appropriations from a single general fund in lieu of the old method of haphazard appropriations from a number of particular funds. The problem of a genuine audit of expenditure still remained to be solved; and its solution was not attained until the reign of William IV and the first half of the reign of Queen Victoria. A condition of any solution was the adoption of a proper method of book-keeping, and such a method was provided, soon after 1830, by what a German scholar¹ has called 'the Reception of the French Budget-system'. This meant a system of national book-keeping by double entry, in place of the old method of a number of unconnected accounts; and on this basis it now became possible both for the Chancellor of the Exchequer to 'open' a true budget for the ensuing year, and for the Comptroller and Auditor-General (an officer first instituted in 1834, but only attaining his final position in 1866) to make a true survey of past expenditure in his annual audit. Parliamentary control of public finances, which had existed in principle ever since 1660, or at any rate since 1688, was thus at last made effective.

¹ Hatschek, *Englische Verfassungsgeschichte*, pp. 718-21. He assigns to Bowring, the biographer of Bentham, the credit of having studied the French methods of keeping public accounts, and of having introduced into England, on the French model, the system of national book-keeping by double entry, which had been practised in France since the eighteenth century.

There were technical matters; but the serious and practical problem was that of reforming both direct and indirect taxes, and of determining their relative incidence. The reform of direct taxation began when Pitt in 1798 relegated the old land tax to the position of a perpetual charge on land, and instituted in 1799 a new income tax. The income tax was regarded as a war measure; it was dropped as such in 1815; and its subsequent history was to turn on the policy of England in regard to protection and customs duties. Here, too, a policy of reform had already been begun by Pitt, but his work, interrupted by war in 1792, tended rather to simplify collection than to make any fundamental change in incidence. A more drastic reform began about 1825; it received a great impetus when in 1842 and 1845 Peel abolished a great number of duties, and in 1846 removed the duty on corn; it was concluded by the budgets of Gladstone and more especially the budget of 1860. England embarked on a policy of free trade in lieu of national protectionism; and she paid the price for the abolition of protective customs (the more readily as she profited industrially by the change of policy) in the shape of a revived income tax, which since 1842 has been a permanent part of our financial system. But the policy of free trade still left a number of lucrative customs duties, imposed solely for the sake of revenues, and falling mainly on tobacco, tea, and alcohol; and it also left a large revenue from excises levied on corresponding articles. In the beginning of the twentieth century customs and excises still produced about £60 millions, while the yield of income tax, levied at an average rate of one shilling in the pound, was about £40 millions.

An important change had, however, begun in 1894, and it had begun in the sphere of estate duties. Technically such duties belong, from one point of view, to the category of indirect taxation; like customs and excise, they are imposed upon objects at the time of transference of possession. Practically, however, they may be said to be imposed, like direct taxes, on the *personalité économique* in which possession is vested.¹ The

¹ They differ, however, from other charges on *personalité économique* in being levied not on income, but on capital.

change of 1894, which increased the rate of these duties and applied to them the principle of progression, according to the amount transferred, introduced a new phase of taxation. The same method of increase of rate and application of the principle of graduation has now been extended to income tax; and by 1930, out of a total yield from taxes of £685 millions, income tax (with the surtax on large incomes) produced nearly £300 millions while customs and excise together produced about £250 millions, and duties on estates yielded some £80 millions of the remainder. The revolution is obvious. Some would describe it as the triumph of a socialist policy of the conscription of wealth. More justly it may be described as the result of the conjunction of two causes—an increasing growth of State services, and an increasing application, for the purpose of meeting the costs of those services, of the old liberal principle of equality, interpreted in a larger sense. But it must be admitted that the new interpretation has carried us a long way. Not only has it been decided that there must be more equality in practice between direct and indirect taxation, and that, in order to achieve this result, the principle of progression should be applied to direct taxation, but a new idea has also been suggested, that the instrument of taxation, instead of being used simply and solely to cover the cost of State services, should also be used to redistribute property and income. This would make equality not only the method, but also the object, of the imposition of taxes. The idea is as old as Bentham, but it is an idea which would transform taxation (in its etymology and its past history an 'assessment of costs' between parties) into something new.

The history of taxation in Prussia since the end of the eighteenth century is complicated by her growing connexion with the rest of Germany. Solvent in 1790, Prussia emerged from the Napoleonic wars with a debt of over 200 million thalers and an annual deficit of 2 millions. Relief was found by the abolition of internal customs and the introduction in 1818 of a system of free trade between the different Prussian territories. This system made Prussia prosperous internally; it was accompanied by the imposition of moderate duties on foreign manufactures;

and it brought relief. Eventually the other German States were induced to join the Prussian system of internal free trade and external tariffs, and by a series of treaties, beginning in 1819, a *Zollverein* was gradually spread over Germany. This economic unity was the preparation, and in no small measure the cause, of the political unity which Germany achieved in 1871. Under these conditions it was the area of indirect taxes which, owing to its connexion with political developments, assumed a growing importance. In the German Empire, down to 1914, the imperial or federal expenditure was met from the yield of customs and certain of the excises (which produced the greater part of the federal income), by the profits of the postal system and the railways, and by federal contributions from the different States. Prussia, like the other States of the Empire, had her own financial system, with a revenue greater by far than that of the Empire. The results of the war, and the working of the new constitution of 1919, have made fundamental changes. Prussia in 1930 had a budget of only 4,000 million marks, to the 11,000 millions of the *Reich* (of which, however, 3,500 millions were paid over to States and local bodies); and the vast new expenditure of the *Reich* had entailed a new distribution of taxes in which the yield from customs was only about one-tenth of the whole.

CHAPTER IV SOCIAL SERVICES

§ 1. *Church and State in the Sphere of Social Services*

THE weight of taxation at the present time is principally due to the cost of the old services of the State, and more particularly of the military service. The cost of liquidating the wars of the past and of preparing new defences against the wars of the future is more than one-half of the total cost of State management in Great Britain to-day.¹ But a new burden has been

¹ The cost is mainly that of liquidation, or in other words, the payment of interest on the National Debt. The current expenditure on military services is only a quarter of the total expenditure on supply services.

added to the Exchequer of the modern State by its assumption of services which, at any rate in their modern dimensions, may fairly be regarded as new. We may call these services by the generic name of 'social'. They include, in the broader sense of that word, the service of education as well as 'social services' proper. They are the services by which the State secures to its members the enjoyment of two rights, each of which has received a progressive interpretation, and, with it, an extended guarantee—the physical right to life, health, and a proper standard of subsistence; and the mental and moral right to development of intelligence and character.¹

In the system of medieval thought it was regarded as the duty and service of the Church both to assist the indigent, as a necessary work of Christian charity, and to provide some scheme of education, as a necessary exercise of that power of teaching which (along with the power of celebrating the sacraments and the power of exercising jurisdiction) was inherent in the ecclesiastical hierarchy.² The transference of these duties or services from the Church to the State is a long and gradual process. Three things may be said of that process. In the first place, the activity of the State was generally an improvement on that of the Church—not because it was in its nature higher than the Church, but because its administrative power, bearing directly on all its members, gave it larger resources than those of the Church, which had only been able to deal with the problem of pauperism in terms of a charity that was naturally haphazard, just as it had only been able to deal with the problem of education in terms of religious teaching that naturally tended to be mainly confined to the recruitment of the clergy.³

¹ 'The purpose of the public elementary school is to form and strengthen the character, and to develop the intelligence, of the children entrusted to it.' (Introduction to the Code for English public elementary schools, as issued by the Board of Education from 1904 to 1926.)

² The power of the hierarchy is sometimes regarded as a triple power, including (first and foremost) a *potestas ordinis* in matters concerning the Sacraments, a *potestas jurisdictionis*, and a *potestas docendi*. But the *potestas docendi* is usually subsumed under the *potestas jurisdictionis*, and education is thus regarded as a part of discipline.

³ On the other hand, this increased activity of the State has not rendered the activity of the Church otiose. The extension of the political sphere still leaves intact

In the second place, the process was more rapid in Protestant countries than in Catholic—not, again, because the former had a genius superior to that of the latter, but because the secularization of religious endowments which accompanied the Reformation so much diminished the resources of the Church that Protestant States were necessarily compelled to assume some of its old functions. In the third place, the State was compelled in all countries alike to guarantee physical rights to its members (on a very modest scale, it is true) long before it began to recognize their mental and moral rights. In England, for example, there was something of a State system for dealing with the problem of pauperism by the beginning of the reign of Elizabeth: there was no State system of education until the middle of the reign of Queen Victoria.

§ 2. *The Three Periods in the History of State Social Services*

There are three periods in the history of the dealings of the modern State in western Europe with the problem of the rights of its members to life, health, and a proper standard of subsistence. The first is the period before the Industrial Revolution. This is a period which, in England, comes to an end about 1760; but on the Continent, where the Revolution was later in making itself felt, it lasts till the middle of the nineteenth century.¹ During this period the State is mainly concerned with the problems of a rural population, and it has to 'relieve' (at the same time as it taxes) a peasantry scattered all over its territories. The second period, comparatively brief on the Continent, but more prolonged in England, is that which lies

a social sphere of voluntary activity; and the Church is the greatest agent in this sphere. Nor must we forget that Christian charity, however imperfect it may be in its results, has this advantage over public assistance in the scale of moral values, that it is a spontaneous moral activity proceeding from a moral motive, and not the automatic performance of a legal duty.

¹ The cotton industry in France, which was the first to be revolutionized, was becoming a factory industry in the latter part of the reign of Louis Philippe (c. 1840); but the other textile trades had not at that date adopted the power-loom. Germany at that time was still largely in the stage of 'domestic' industry; and 'the German iron industry was still a half-rural, a woodland, trade' (Professor Clapham, *Camb Mod Hist.*, vol. x, pp. 753-7).

between the beginning of the Industrial Revolution and the consolidation of unions of organized workers and employers with which the State has now to reckon, and which it must take into partnership in dealing with social problems. In this period the State is concerned with a mass of uprooted country-workers employed in the factories of the towns or in mining centres, and it deals with them as best it can by Factory Acts, Truck Acts, Mines Regulation Acts, and the like. England developed a system of control which we may call by the general name of Factory Legislation in the years between the first Factory Act of 1802 and the consolidating Act of 1901, which forms a general code for all factories and workshops; and as the Industrial Revolution spread from England to the Continent, this code spread with it to France and Germany and other countries. It is difficult to date the beginning of the third period, but it may be assigned roughly to the year 1880. It is true that the period of factory legislation extends beyond 1880, and, indeed, is still with us; it is also true that even before 1880, in countries in which trade unions had grown and acquired some freedom of action, they had already become informal co-operators and virtual partners with the State, in the sense that they were already using their collective strength to bargain for standards of health and subsistence at the same time that the State was also enforcing similar standards by legislation. But we may date a new epoch, none the less, from the year 1880. In England, by the Acts of 1871 and 1875, trade unions had now acquired a new measure of freedom; their process of collective bargaining for standards was recognized by the law of the land; a 'new unionism' was beginning, and on its basis representatives of the unions were soon to enter Parliament, and to link the factor of collective bargaining outside to the factor of legislative enactment of standards within. Germany followed a somewhat different line; but Bismarck's legislation in the decade following 1880, which enlisted employers and workers to co-operate with the State in schemes of social insurance for the maintenance of standards of health and subsistence, forms a landmark not only in the history of Germany, but also in that of western Europe.

If English factory legislation had spread to Germany, German social insurance was to spread in the twentieth century to England.

§ 3. *The Agrarian Period and Poor Relief*

In the agrarian period prior to the rise of industrialism, France, England, and Prussia were all concerned with the problem of rural indigence, and their governments were content to guarantee the elementary right to life by rescuing the poor from absolute starvation. The most developed system formed for this purpose was that which was created in England by the Tudor kings and Parliaments between 1536 and 1601. In its original intention the Tudor system of poor relief was designed to provide work (and even housing) as well as mere relief; and it was meant to be administered by each parish, which was to raise and apply a fund for these several purposes. In its actual execution it fell into the hands of the local gentry of each shire, and it was administered by them on the basis of mere relief—relief which by 1795 had come to assume the form of allowances paid from the parish rates in aid of farm wages. Condemned, and not unjustly, as a method of pauperization which only depressed the rate of wages, this system was superseded, under the Poor Law Amendment Act of 1834, by a new system which entailed both a political and an economic revolution. Politically, the revolution was twofold; not only were the justices of the peace dethroned in favour of elected boards administering relief in ‘unions’ or groups of parishes, but a new central administrative authority was created to supervise the activity of these boards. Economically, the principle of indoor relief, to be given only in workhouses built for the purpose by each union, was enunciated; the old method of outdoor relief in aid of wages was to be abolished, and wages were thus to be left free to find a higher level. But the principle enunciated could not be maintained in practice, and outdoor relief continued to be given, both to the aged and to the unemployed. Two modifications have been made in our own days in this system, which we inherited from our agrarian past, but

carried, in the modified form of 1834, into our industrial present. On the one hand, the adoption of the German scheme of 'social insurance', side by side with the old English scheme of 'poor relief', has introduced not only a new factor, but also a new complication. On the other hand, by a political change, the administration of poor relief, now termed public assistance, has been transferred, under an Act of 1929, to the county councils (and the councils of county boroughs), acting for the purpose through a special public assistance committee.¹

The methods of relief in France and Prussia followed different lines. In Prussia, during the eighteenth century, the Kings were the agents of an informal system of poor relief. They pursued a policy of encouraging aided immigration into their dominions, which formed a sort of colonial land for new settlers; and this policy, if it served their own purposes, also helped to meet the problem of German poverty and to multiply small rural holdings. They also instituted corn depots, and they were able by this means to stabilize prices and to keep the cost of living comparatively steady. The same general method of absolutism was also pursued, along somewhat different lines, in eighteenth-century France. There was, indeed, one great difference: the French King could still count, down to 1789, on the co-operation of a wealthy Catholic Church, which maintained hospitals, centres of outdoor relief, and other charitable foundations. But the Crown was also forced to come to the rescue: there was a distribution of the *pain du roi* at the Louvre, for which the beggars and vagabonds of Paris fought; and the King's Council allotted to each *intendant* a share of the royal bounty, which he proceeded to distribute among the *communes*, superintending them closely in their administration of their share.

¹ It is interesting to notice the close connexion between the history of the English poor law and the history of the development of English local government. Poor relief was the ground of the development of the parish as an organ of local government in the sixteenth century; poor relief was the area in which the justices established themselves as the local governing authority after 1700, and it was in the sphere of poor relief that, in 1834, a new régime (of elected local bodies, and of central administrative supervision of these bodies) first appeared.

The immediate effect of the Revolution in France was to destroy both the old charitable foundations of the Church and the royal bounty. A heavy burden was thus thrown on the local authorities, more especially in the towns (the peasantry of the country had profited by the Revolution, both in escaping old burdens and in acquiring new land), and Napoleon did something to enable them to meet the burden. The *octrois* imposed in towns were specially devoted to charity, along with a part of the proceeds of municipal property; the prefects and mayors were active in relief; and the many public works undertaken by Napoleon's government provided a new source of employment. But France, in her normal condition since 1815 a great self-sufficing country, with an industrious peasant population, has not been afflicted by the problems of England, and the English reforms of 1834 had no parallel in contemporary French legislation. A law of the Third Republic, passed in 1871, allowed each department to initiate methods of general assistance, and compelled all to assist lunatics, destitute children, and those who from sickness or old age were unable to work. But no separate organization was created, exclusively devoted to the relief of pauperism. The departments and the communes administered asylums, institutions for destitute children, and hospitals as part of their general duties; and in the sphere of 'general assistance' relief was given by *bureaux de bienfaisance* from funds which, if they were partly derived from communal contributions, were also derived from endowments and from charitable gifts. On the one hand, France linked poor relief with general local government; on the other, she linked voluntary to public contribution. The Prussian system, as it developed during the nineteenth century, was equally unlike the English. Poor relief was one of the functions of the new system of local government which, as we have seen, was elaborated in Prussia from the days of Stein onwards. In the towns it was administered by a special committee, containing co-opted members (or 'selected citizens') in addition to aldermen and councillors, and acting under the presidency of a professional burgomaster; special poor rates were not levied;

and a system of unpaid visitors, on the model of Elberfeld, was common. In the rural communes poor relief was similarly one of the functions of the ordinary activity of local government.

§ 4. *The First Industrial Period and Factory Legislation*

These systems of poor relief were the first form of social service performed by the State. Beginning in the first of the three periods which we have distinguished, they have continued to exist, with changes in scope and methods of administration, in the later periods. But new forms of service to meet new conditions have also been added, and the addition has been accompanied by a change of general ideas. The old idea which underlay the early forms of poor relief (as it also underlay the early beginnings of popular education in England) was that of a concession made *ex gratia* to the indigent members of a class called the 'labouring poor'; the new idea, which gradually takes its place, is that of a right guaranteed *ex jure* to the member of a civic community by the simple title of his membership. But the new idea was slow in developing, and the old notions— notions, as we may call them, of 'the philanthropic boon'— still permeated the beginnings of the new social services which a new industrial age demanded.

The first phase of these new services—the phase which appears in the whole system of factory legislation—may best be illustrated from England, where its history covers the whole of the nineteenth century. The new social problem was the factory, and beyond the factory the factory-town. Men began to recognize that there was such a thing as a right to health, over and above the right to mere life which the old system of poor relief had recognized; and they drew the conclusion that, in order to guarantee this right, the State must perform the service of providing some decent minimum of general sanitation in the town, and of securing—in the factory, the mining centre, and the industrial aggregation of every kind—the hours and the general conditions of labour which were necessary to the health and the physical well-being of the worker. The movement of this legislation began in a moral spirit of philanthropic indigna-

tion; it ended in a civic consciousness of the duty of providing a civic service. It involved the State in an interference with the contract of employment, or rather in a regulation of the basic terms on which that contract was to be made; it involved it in a system of inspection to ensure that the basic terms were faithfully observed. The first Factory Act of 1802 was followed by many successors, especially the Act of 1833, which introduced factory inspectors, and the 'Ten Hours Bill' of 1847; and the whole series of Factory Acts was eventually codified in 1901. What had been done for factories was extended to mining centres by the Mines Regulation Act of 1842 and a succession of later Acts; it was extended to transport workers by the Merchant Shipping Act of 1876 and the Regulation of Railways Act of 1889; it was extended, finally, by various Workshop and Shop Hours Acts to nearly the whole of production and exchange. Beyond the service thus rendered to the various classes of workers in their various occupations, the State undertook another service when, in 1848, by the Public Health Act, it began to guarantee to all its members the necessary conditions of general health. It began to insist that houses as well as workshops, and the conditions of living as well as of working, should satisfy what has been termed 'a national minimum of sanitation': it began to provide, in the largest sense of the words, a 'public medical service' which would make its insistence effective.

§ 5. *The Second Industrial Period and the System of Social Insurance*

The new period which begins about 1880 continues, but also transcends, the principle of a social service directed to securing the health of the working classes and the general community. It continues and it extends that principle, when by the Housing of the Working Classes Act of 1903 (already preceded by the Artisans' Dwelling Act of 1874), and still more by the successive Housing Acts of recent years, it passes beyond its original purpose of securing a minimum standard of sanitation in existing dwelling-houses, and begins to organize and to aid the provision of new housing on a large scale. More important,

however, is the growing adoption of a new principle that it is the function of the State to co-operate in securing a proper standard of subsistence. This may seem, at first sight, nothing more than a new form of the old service of poor relief; but it is something fundamentally different in more than one respect. Poor relief is only concerned with the pauper: the new service deals with the general body of workers. Poor relief is a recognition of the bare right to life, and a rescue from utter starvation (though the action of English justices of the peace made it temporarily something more at the end of the eighteenth and the beginning of the nineteenth century): the new service is a recognition of the right to live on a decent standard of subsistence, and a guarantee of that standard against the menace of sickness, unemployment, and old age. Above all, poor relief is a service which leaves the pauper passive; the new service is one which, in various ways, enlists the body of workers, and also of their employers, in active co-operation with the State, on the basis of a joint contribution made by all the parties.

If the characteristic of the first of our three periods is 'poor relief', and that of the second 'factory legislation', the characteristic of this third and last period is 'social insurance'. The new system began in Germany with the successive laws which Bismarck carried in 1883, 1884, and 1889, with the object of defeating the Socialists by making the State itself socialist. The law of 1883 insured workmen against sickness; they were themselves to pay two-thirds of the cost and their employers the other third; the payments were to be collected and the benefits paid by approved societies, which might be connected with factories or trade unions as well as with local communes or voluntary clubs. The law of 1884 insured workmen against the risk of accident, at the cost of their employers, who formed themselves into industrial associations for mutual protection in meeting the new liability. The law of 1889 insured workmen against invalidity and old age; they were to contribute equally with their employers, but the State was also to contribute to the pension ultimately paid to the disabled or superannuated

worker; and the State was thus linked in finance, as well as in general regulation, with the organization of the world of industry.

The German scheme spread to England and France in the beginning of the twentieth century. In England the Workmen's Compensation Act of 1897 'introduced into the law', as Dicey has said, 'the new principle that an employer must . . . insure his workmen against the risks of their employment'. In 1908 the Old Age Pensions Act introduced a system of pensions, entirely paid by the State, for all persons over the age of 70 whose means were not sufficient for their support. (This system was different from the German scheme of 1889, which only dealt with workers superannuated from unemployment, and dealt with them on a basis of contributory insurance; but a new German law of 1911, while still maintaining the basis of insurance, instituted a new scheme of old age pensions for workers generally on their attaining the age of 65.) In 1909, going beyond the German model of social insurance, and adopting a new method of guaranteeing a decent minimum of subsistence, the English Parliament passed a Trade Boards Act which secured a minimum wage, enforced by the State, to workers in those sweated industries in which there were no trade unions adequate to the function of collective bargaining. In 1911, once more on the German model, the National Insurance Act introduced a scheme of health insurance in which employers, workers, and the State were all to co-operate and to contribute; but the Act went beyond its model in also introducing a scheme of unemployment insurance on the same tripartite basis for a number of specified industries. An Unemployed Workmen Act of 1905 had already begun to apply methods other than those of poor relief to the problem of unemployment; but it was a new and important step when the method of joint social insurance against unemployment was applied, by the Act of 1911, to industries such as iron-founding, ship-building, and mechanical engineering.

The development in France was less rapid and varied. An Act of 1905 provided for the relief of the aged poor (on attaining

the age of 70), and of infirm or permanently incurable persons, from funds supplied by the State and by the departments and communes. In the same year France began to imitate the Ghent system (first instituted in 1901) by which public funds are used to supplement in a fixed proportion the benefits paid by trade unions to their unemployed members. In 1910 the French Parliament passed an Old Age Pensions Act, providing pensions for wage-earners from a fund contributed by employers and workers and supplemented by the State. In 1913, by a policy peculiar to France, but dictated by the prevalence of infant mortality and the fear of a stationary population, an act was passed for giving aid to large families for each child beyond the third.

The advance of the present century, which was already marked before the War, has been equally marked in the years since 1918. The States of western Europe had called upon their citizens to serve them in war as they had never done before, and they were impelled in turn by a natural logic to provide services for their citizens in peace on a new and larger scale. In England, in 1918, the scope of trade boards was extended, until they embraced some forty industries and a million and a half employees; and the trade boards began to fix standard, or regular, wages instead of a minimum rate below which wages must not fall. The Widows, Orphans, and Old Age Contributory Pensions Act of 1925 added a new scheme of social insurance to the previous grant of free State pensions in 1908; the scope of unemployment insurance was extended until it covered most of the persons who came within the scope of health insurance (about 14 millions in all); and new responsibilities for housing were undertaken by the State under a succession of Housing Acts. It has been calculated that, while £22,600,000 was spent on social services in 1891, £338,500,000¹ was being expended in 1925; and the expenditure has risen since. France,

¹ Of this amount war pensions accounted for £66,500,000 and education for nearly £90,000,000. Insurance (both health and unemployment) and old age pensions cost £109,000,000; Poor Relief a little over £40,000,000; and the remaining £33,000,000 was spent mainly on housing (£18,400,000), and on public health and the care of lunatics and mental deficient.

after long discussion, passed in 1928 a general law for compulsory social insurance covering sickness, maternity, and invalidity as well as old age. The new Germany created by the Constitution of Weimar also travelled far in the decade between 1920 and 1930. Not only did it adopt a system which involved the State in fixing wages on a large scale, as the authority of final resort after arbitration had been attempted; not only did it institute unemployment insurance, and extend the general principle of social insurance to clerical workers: it also recast (in 1924) the old system of poor relief and placed it on the new basis of a general *Fursorge*¹ which comprehended in its scope the derelicts of the War and the *rentiers* who found their insurance benefits or other *rentes* inadequate. In addition it instituted, by a law of 1922, a system of public *Jugendhilfe* which provided for the young not only education, but also, where it was needed, a semi-parental care, exercised through *Jugendämter*, along with a training in general fitness (both of body and of mind) for proper membership of society.

A word which became current in Germany during this period is the word *Wohlfahrt*; and we in England have also begun to talk of 'welfare work' in our factories, and have instituted, under the Mining Industry Act of 1920, a Miners' Welfare Fund. Perhaps the word holds a key to the future; and the State, which has risen from poor relief to factory legislation, and from factory legislation to social insurance, may rise to some new service of public welfare. But the State is not all; and we have to reflect that voluntary social self-help, which has always gone hand in hand with the State, has its own sphere of activity, and may even be the better organ for much of the service of welfare.² If we make the State a Pandora, the source of 'all gifts', we may be surprised at some of the results which emerge from Pandora's box.

¹ We may compare our own change from 'poor relief' to 'public assistance'; but the *Reichsfursorge* of Germany goes farther than our public assistance.

² On the new municipal housing estates in England, for example, voluntary 'community associations' are being formed, and are seeking in various ways (by the provision of community halls and the development of community activities) to discharge the service of welfare for their members.

CHAPTER V

EDUCATION

§ 1. *The Development of State Education in France*

THE connexion between religion and education, interpreted to mean that it was the function of the Church and its clergy to provide a system of general instruction, was long an accepted principle in western Europe, both in Catholic and in Protestant countries. By Catholics 'the power of teaching' was regarded as one of the powers inherent in the Church; and in Catholic countries the actual work of instruction fell to the religious orders, particularly to the great order of the Jesuits, down to the middle of the eighteenth century, when the Age of Enlightenment, stimulated by the troubles which beset the Jesuit Order, began to turn to the idea of State education. Nor were the Protestant Reformers favourable to the principle of a system of national education conducted by the State: they were rather concerned with the production of an educated clergy and the dissemination of religious knowledge by its means. If Scotland, in the seventeenth century, instituted parochial schools, they were intended to be administered under the direct supervision of the Kirk; and the Scottish system of bursaries, which opened a wide door to the universities, was largely designed for the better recruitment of the clergy. Protestant England followed a different line of development; but it was religious considerations which mainly determined that line. If a system of national education was delayed until 1870, it was not the backwardness of the country, or its blindness to the need of education, which was responsible; it was rather that the long rivalry of Anglican and Nonconformist, and the efforts of both to provide their own voluntary schemes of education, made it both more difficult, and less necessary, for the State to intervene. Not until voluntary effort had done what it could, and had discovered that its utmost was not enough, could the aid of the State be finally invoked.

The history of English education is complicated; and the

general development of education in the modern State is more clearly illustrated in France. Under the *ancien régime* education was not a public service; it belonged to the Church and to bodies connected with the Church. Primary education was generally conducted by religious congregations, and especially by the Brothers of the Christian Schools; secondary education, apart from some schools conducted by municipal authorities, belonged to the Jesuits; and the action of the State, confined to the higher ranges of learning, was mainly to be seen in the *Académies* created by Colbert. The practical suppression of the Jesuit Order in France after 1762 was followed by the appearance of a work which constitutes a new epoch—the *Essai d'Éducation Nationale* of La Chalotais (1763). 'I claim for the Nation', he wrote, 'an education dependent upon the State alone, because education belongs essentially to the State; because every nation has an inalienable and imprescriptible right to instruct its members; because, in short, the children of the State should be brought up by those who are members of the State.'¹ The words have had a long echo in France, which has reverberated down to our own times. The Revolutionary leaders, and especially Condorcet, were much occupied by schemes of public education, in which the ideas of *L'École laïque* and of a universal system of compulsory and gratuitous education were prominent features. Napoleon, by a law of 1802, planned a system of State education, which, at any rate, issued in the creation of the French *Lycée*. In the spirit of La Chalotais, he declared that 'unless men are taught from childhood . . . to be republicans or monarchists, Catholics or infidels . . . the State will never make a nation'; and in 1808 he proceeded to institute a central University of France, with a number of local divisions or *Académies*,² which he aimed at vesting exclusively with the work of public instruction, and which has continued to survive, in an altered form and with a

¹ Quoted in J. W. Adamson, *Short History of Education*, p. 214.

² The academies, of which there are seventeen, are the organs of local educational administration, apart from the prefect and the general council of the department. Each has its Rector, its Academic Council, its academy inspector, and its staff of primary inspectors; but it is the prefect of the department, and not the officers of the Academy, who appoints the teachers in the State schools.

different inspiration, to the present time. It is significant that Napoleon concentrated his attention, as France afterwards long continued to do, on the production of an intellectual *élite* and left the work of primary education to the local communes, the Brothers of the Christian Schools, and private enterprise.

The problem of primary education, and of the part which the Church and religious associations should play in its conduct, vexed France for a century after 1815. The tradition of the French Revolution was clear, and it ran in favour of La Chalotais's idea of a system of national education conducted by the State. On the other hand, Napoleon had made a concordat with the Catholic Church in 1802; he had left it still active in primary education; and the monarchy of the Restoration was closely connected with the Church. In 1833, the year in which the English Parliament made its first grant in aid of education, Guizot attempted to solve the problem. Every French commune was to have its school; the Catholic schools were to retain their liberty; the State schools were to be superintended both by the parish priest and by a lay commission drawn from each canton; and the clergy were to collaborate with the officers of the State in promoting 'a system of instruction controlled by religious beliefs'. The third Republic, recurring to the tradition of the Revolution, sought to introduce a national and universal system of State-controlled lay schools. The process was gradual. A law of 1879 instituted *écoles normales primaires* in each department, and thus brought the training of primary teachers within the purview of the State. A law of 1881 made instruction free in all State primary schools, and a law of 1882 made attendance compulsory for all children between the ages of 6 and 13. A further law of 1886 declared that the teachers in State schools should be lay, and at the same time restricted the rights of the Church, both in regard to the superintendence or the inspection of State schools, and in the matter of opening schools of its own. *Liberté d'enseignement*—the right of any citizen, duly qualified, to open a school and to give instruction—continued, and still continues, to be regarded as one of the principles of the Revolution and one of the *droits de l'homme*. But that liberty was definitely

challenged when in 1901 the members of 'unauthorized', and in 1904 even the members of 'authorized', religious congregations were forbidden entirely to open schools or to give instruction. A national system 'dependent upon the State alone' (as La Chalotais had urged) was thus instituted; and education became, in the fullest sense of the word, a State service. It was, and is, a highly centralized service; the appointment of teachers, their remuneration (which is paid directly by the State), and the general control of curriculum and instruction, are all vested in the central government and its local organs. The general system of French education, until very recent years, has continued to follow the Napoleonic tradition of concentration upon the training of an intellectual *élite*. Primary education, and the training of elementary teachers, have been sharply distinguished from secondary education, which is given largely in the State *lycées*, and from the training of secondary teachers. But the contemporary development of France, which has now moved towards free secondary education, is affecting and beginning to obliterate this distinction.

If we attempt to summarize the development of French education, we may say that it has been generally controlled since the Revolution by the idea of a 'national education' corresponding to the Revolutionary doctrine of national sovereignty. This idea has resulted in making education, in the main, an exclusive State service, not only free from any control by religious bodies, but also free from any co-operation of religious bodies, such as our English 'dual' system still retains. The State service of education, like other State services in France, has followed the French genius of administrative centralization, and it has been conducted with a large regard to the production of a class capable of maintaining the great national tradition of French culture and civilization. In many respects the development of France has run ahead of that of England. Guizot was establishing a school in every French commune in the same year in which the English Parliament was content to vote £20,000 in aid of voluntary schools; and France established in 1878 a State service for the training of primary teachers such as England has not

yet provided.¹ On the other hand, a struggle between Church and State such as we have not known has inevitably accompanied the development of education in France. With us, as we shall see, the struggle has been engaged not so much between Church and State as between rival religious bodies—with the State attempting to support both, incurring the accusation that it was supporting only one, and only gradually discovering that it too had its own function, and that it could, and must, discharge a national service of education to its members on its own account.

§ 2. *The History of Education in Prussia*

In Prussia, to which we may now turn, there has been comparatively little struggle, and a large and fruitful development. Frederick William I, a stern Protestant, was impelled by his religious principles to issue an edict in favour of universal compulsory education soon after 1720, a century and a half before the principle was adopted in England or France. His edict was rather a form of educational conscription than a pledge of State service: he sought to throw the cost of its execution on parents and local communes; and his ambition for an educated Prussia, drilled in religious duty, bore little fruit at the time. Frederick the Great, in 1763, again decreed that all children should attend school between the age of 5 and that of 13, and going beyond his father he sought to aid the poor to meet the cost. His minister Zedlitz, in the latter part of his reign, attempted to found a general State system of education and, though he was compelled to leave primary education to the clergy, he succeeded in bringing secondary and university education under the control of a State department, and in establishing a 'leaving examination' in secondary schools which ultimately became a condition of entry both to the universities and to the ranks of the Prussian administration. The development was continued during the

¹ Since 1902 the local education authorities have founded twenty-two training colleges, but the bulk of our primary teachers are trained in the fifty-four voluntary training colleges and the twenty university training departments. The scheme of a National Normal School, or State Training College, proposed as long ago as 1839, has never been adopted in England.

Prussian Renaissance after the battle of Jena, in the great days when Wilhelm von Humboldt was minister of public instruction, and when the University of Berlin was founded, with Fichte and Niebuhr among its professors, to be the core of the new Prussian spirit (1809).

Already, in 1803, a law containing a 'conscience clause', which permitted parents who had religious objections to withdraw their children from religious instruction based on the principles of the State Church, had gone far to solve the difficulties which had impeded the work of Zedlitz. Already, in 1808, Fichte had spoken in his Addresses to the German nation of the value of the Swiss Pestalozzi's methods as a model which the State might follow in providing for the teaching of the young. A new spirit was brought into primary education; a training college was started in Berlin; and eventually, after study and improvement of the example set by Switzerland, a three years' course was initiated for the training of Prussian schoolmasters. Allenstein, the minister for educational and ecclesiastical affairs after 1815, held the balance even between religious denominations; he pressed forward the erection of elementary schools (founding 400 in the one province of west Prussia in the space of four years); he initiated modern *Realschulen*, in the sphere of secondary education, by the side of the older and more classical *Gymnasia*; and he carried out his reforms, without burdening the finances of the State, by making school expenses a local charge. Universal compulsory education became a fact; and it was conducted as a State service without question or controversy. The Constitution of 1850 enunciated the principle of *liberté d'enseignement*; but education in Prussia (and in Germany at large after the foundation of the Empire in 1871) continued to be provided in State schools. Local authorities—acting in towns by the same method of *ad hoc* committees, enforced by 'special citizens', which was also applied to poor relief—provided school-buildings from local rates; and the State was responsible for providing and paying a body of qualified teachers. The whole scheme of education, from the primary schools and the various forms of secondary school to the universities, was a coherent system controlled

by a central ministry; and the benefits of this State system were made more and more accessible to the population at large. The payment of fees was abolished in primary schools; by the beginning of the twentieth century free places or other forms of assistance were being given to some 10 per cent. of the children attending secondary schools; and continuation schools were also being established, in which apprentices and other young workers, after they had completed the stage of primary education at the age of 14, were spending from 6 to 8 hours of their working week. Prussia, which had itself been inspired by Swiss example in the first decade of the nineteenth century, became an inspiration to England; and German methods of State education, like German methods of social insurance, affected the course of English development.

§ 3. *Education in England before 1832*

Prussia was thus first in the field¹ in establishing a compulsory system of national education—a system which has been called ‘the straitest of State school systems’, but which, at the same time, was also the most comprehensive and generous in the service which it rendered to all the members of the community.

It was the good fortune of Prussia that she escaped the struggle

¹ In Prussia the principle of universal compulsory education was already affirmed two centuries ago by Frederick William I, and reaffirmed, in 1763, by Frederick the Great’s *Landschulreglement*, and it was made effective by the work of von Humboldt and Allenstein in the early years of the nineteenth century. The Scottish system of parochial schools, with its different inspiration, is as old as 1696. In England the principle of universal compulsory education was introduced in 1881, in France, in 1882, and in Italy (but only from the age of 6 to that of 9) in 1877. It should be added, however, that there was a general interest in education in most of the German States during the latter half of the eighteenth century. Maria Theresa had already begun to reform education in Austria by 1760, and when the Jesuit Order was suppressed by the Bull *Dominus ac Redemptor* in 1773, she used the funds and buildings of the Order, which had been used for secondary instruction, in order to create elementary schools and training colleges (1774). Joseph II, who proclaimed that ‘the State is no cloister’, and issued a Patent of Tolerance in favour of all Christian denominations in 1781, extended his mother’s policy, and even attempted to bring the seminaries for the education of the clergy under the authority of the State. His successors, inspired by the legitimist reaction against the Revolution, and returning to the old Austrian alliance with the Church, deserted the policy which Joseph had pursued, and into which he had drawn his mother in the later years of her reign.

between Church and State which long troubled France; it was equally her good fortune that she escaped the rivalry of different denominations which long vexed the development of English education. In England the history of education, down to the Reform Bill of 1832, and even afterwards, may be said to be a chapter in the history of the Church of England and especially of its relations with the Nonconformist Churches.

The bishop, under the Elizabethan system, was the educational authority who licensed teachers. Education was regarded as the office of the Church and the duty of its schoolmasters (who were, if possible, according to the canons of 1604, to be beneficed clergymen); and its aim was conceived to be the securing of religious uniformity in a Christian commonwealth whose members all belonged, or should duly be trained to belong, to the Church established by law. The Rebellion of 1641, and the victory of the Puritans, gave a temporary triumph to a very different set of ideas. The Czech educationalist, Comenius, who advocated a State system of education, with universal compulsory elementary instruction, was invited to England; Samuel Hartlib, a Pole who had come to England in 1628 and had become the friend of Milton (himself the author of a tractate *On Education*), popularized his principles in pamphlets; and English authors, such as William Petty, ancestor of the fortunes of the Lansdowne family, advocated similar ideas. The Long Parliament, like the French Revolutionary assemblies after 1789, debated schemes of public education; but the one result was a parliamentary grant in 1649 of £20,000 from the confiscated property of the Church (the amount, by a curious coincidence, is the same as that voted by Parliament in 1833), of which £18,000 was to be applied to the maintenance of ministers and schoolmasters—the rest going to increase the salaries of heads of houses in Oxford and Cambridge.

The idea of supplanting clerical control of education by a system of State schools perished with the restoration of the Anglican Church in 1660. The Act of Uniformity (1662) tightened episcopal control of education; and the Conventicle and Five Mile Acts (1664 and 1665) forbade Nonconformists to

teach. The English system of parliamentary government began its history in 1660 with the principle that the State, as such, had no interest in education, and should simply confer a monopoly of control upon the State Church. The practice was in some respects better than the principle. By a tacit compromise which went beyond the limits of the law, Nonconformists were not only allowed to teach, but to open 'academies' for their members, and an Act of Parliament in 1779 gave legal sanction to the practice. But if the monopoly of the State Church was thus removed, the fundamental idea survived that education was the function of religious bodies, and not of the State. During the greater part of the eighteenth century, while Nonconformity still laboured under legal disabilities, and before the Wesleyan movement had vastly increased the number of its adherents, the duty of education fell mainly upon the State Church. It sought to perform that duty, from 1699 to 1760, by a system of charity schools,¹ managed by the Society for the Promotion of Christian Knowledge. The system was characteristic, in two respects, of a trend which long affected the history of English education. It remitted elementary instruction to the care of a voluntary society; and it devolved the cost of such instruction upon charitable subscriptions, contributed by the richer class for the improvement of the labouring poor by means of a training in religious knowledge and useful arts.

The movement in favour of the charity school had spent its force by 1760; and for a time there was a lull. While the Continent was being stirred, first by the suppression of the Jesuit Order after 1760 and the ideas of State education which that suppression evoked, and afterwards by the revolutionary principle of national sovereignty and its corollary of the right of the sovereign nation to be educated, England remained unstirred. No party in the State would subscribe to the dangerous doctrine

¹ The charity schools were not the first elementary schools in England. 'Petty schools', preparatory to the 'grammar' or secondary school, are already to be found in the sixteenth century, and increased in number in the seventeenth. But the charity schools, with the S.P.C.K. in London acting as a sort of board of education, and with the local trustees who managed the schools assuming the position of a local education authority, were the first general system.

of a system of national education given and controlled by the State. To the Nonconformist, as Priestley wrote in 1768, 'education was a branch of civil liberty which ought by no means to be surrendered into the hands of the civil magistrate'; he felt that the only way of preserving the balance between political and religious parties was that 'each party should provide for the education of their own children'.¹ To the Anglican, education was an office and duty of the clergy; and if he was now ready to concede to the Nonconformists what he had once claimed exclusively for himself, he was far from being ready to resign to the State a right which would menace his Church. There was thus a general agreement, which radicals such as William Godwin, the author of *Political Justice*, could share with the Anglican clergy, that a system of national education would threaten the liberty of all Englishmen by strengthening unduly the powers of government. In the strength of this belief all parties set to work 'to provide for the education of their own children' by their own efforts. The first result was the system of Sunday schools, which played a great part in England during the fifty years after the foundation of the Sunday Schools Union in 1785. Organized by all the denominations, these schools were primarily intended to teach young children, from the age of 8 to that of 12, to read the Bible on Sunday; but they soon came to teach during the evenings of the week as well as on Sundays, and to provide instruction in writing and arithmetic, and sometimes in other subjects, as well as in English. As late as 1835 they could still be counted as perhaps the most valuable and the most effective organ of popular instruction.

By that time, however, voluntary effort had added a third organ to the old charity schools of the first half and the Sunday Schools of the later years of the eighteenth century. This was the voluntary day-school, in the form in which it was developed, about 1810, by two new voluntary educational societies—the National Society, which founded schools for the children of Anglican parents, and the British and Foreign School Society,

¹ Quoted in Adamson, *op cit*, pp. 216–17.

which founded schools for the children of Nonconformists. There ensued a period of more or less amicable rivalry, in which the competitors were concerned to anticipate and outstrip the advent of a system of State education, while the State itself was content for long years to be left out of the running. But the attempt to construct a national scheme of education on the basis of voluntary contributions by different religious bodies was necessarily doomed to failure. Appealing to the charitable instincts of their supporters, both societies were compelled to plead that they existed 'for the education of the poor'; and they were thus condemned by their nature to perpetuate an old English tradition, unsuited to a new democratic age, that education was a charity rather than a right.¹ Nor were voluntary subscriptions, on whatever ground they were solicited, and however liberally they were given, adequate to the task of providing education for an industrialized country which was increasing its population by leaps and bounds. Both societies, indeed, attempted to reduce to a minimum the cost of the instruction which they provided by employing a monitorial system, under which the elder pupils taught the younger, and the payment of salaries to teachers became almost unnecessary. But the expedient was a poor thing in comparison with the Prussian system of trained schoolmasters; and the expense of providing the necessary school-buildings still remained.

A new system was obviously necessary, in which education would be provided for all as a right, and not for 'the Poor' as a charity, and in which the cost would be borne by all, through the payment of rates and taxes, and not by the few who were able and willing to pay voluntary contributions. Slowly England resigned itself to the necessity of a State service of education financed, like other State services, from the funds of the State. In this respect, as in so many others (the history of poor relief, for example, and the general history of English administration), the Reform Bill of 1832 marked an epoch. Just as the Revolu-

¹ The National Society styled itself a society 'for promoting the education of the Poor in the principles of the Church of England'. The British Society, which began with the efforts of Joseph Lancaster, was originally termed 'the Royal British or Lancastrian system for the education of the Poor'.

tionary doctrine of *souveraineté nationale* entailed the education of the national Sovereign, so the 'Representation of the People Act', as its legal title ran, involved the education of the enfranchised People. As early as 1833 Roebuck, the member for Bath, recognized the logic of events, and introduced a motion in favour of universal and compulsory instruction controlled by a Ministry of Education.¹ Parliament, still clinging to the voluntary system, and still prepared to confine its view to the poor, was content to vote an annual grant of £20,000 'in aid of private subscriptions . . . for the education of the poorer classes'. It was a little seed; but it germinated rapidly. In 1839 a Committee of the Privy Council on Education was instituted to superintend the application of the grant; and Sir James Kay-Shuttleworth became its first secretary. Education thus found a place in the administrative system; and with that place secured, Kay-Shuttleworth was able (exactly like his contemporary Chadwick in the parallel field of poor relief and local government) to develop a scheme of educational inspection and administration which was the necessary basis of future progress. By 1856 an Education Department had been formed; by 1858 (a quarter of a century after the first grant) Parliament was voting £663,000 per annum; and in the same year a Royal Commission was appointed to report on 'the extension of . . . elementary instruction to all classes of the people'.²

It would be a grave error to assume that, because England was slow in adopting a State system of education, she was oblivious to the need of education itself, or had failed to make provision for meeting the need. On the contrary, the voluntary subscriptions given in aid of education were remarkable; they amounted, in 1858, to double the amount of the grant made by the State; and that had been their average amount since 1833. But a system under which the State provided neither schools nor

¹ Roebuck was nearly fifty years ahead of his time in pleading for universal compulsory education, and nearly seventy in advocating a Ministry of Education.

² The width of the terms of reference is perhaps significant. It imports a recognition of the principle that education is a service owed to the whole community, simply because, as Huxley said, 'they are men and women', and not to a class because it is poor.

teachers itself, but only aided voluntary bodies to make such provision, could not meet the needs of a population which had risen, between 1831 and 1871, from fourteen millions to nearly twenty-three. By the Education Act of 1870 Parliament took a final step; it added a new system of State schools to the old voluntary system, and it committed the administration of these schools to a new organ of local government called the School Board. A dual system was thus founded, which placed the State (or 'Board') schools by the side of the voluntary schools created by the various denominational societies. Religious instruction was to be given in the State schools, but it was to be undenominational; and parents were permitted, by a conscience clause, to withdraw their children from such instruction. On this dual basis, by virtue of the English genius for a clumsy compromise which is somehow made to work, the general system of elementary education has since continued to rest. The State has ceased to aid the erection of voluntary schools; it has left them in existence (indeed the number of voluntary schools is still greater than that of State schools); and by the Education Act of 1902 it even permitted them to be aided from local rates in meeting the cost of the instruction—other than religious—which they provide.

The Act of 1870 did not introduce compulsory elementary education, though it empowered each school board to require attendance by passing a by-law to that effect. A new Act of 1880, which came into force in 1881, introduced universal compulsion; a further Act of 1891 made elementary education 'free'. In 1900 the old Committee of the Privy Council on Education became a Board of Education, under a President of its own who has as a rule a seat in the Cabinet. Education was thus established as a public service, with its own place in the government of the country as well as in the administrative system; and on this basis a further advance was made by the Act of 1902. The local control of education was taken from the school boards, and entrusted to the elected councils of counties and boroughs, acting through education committees which contained co-opted members; and the province of the new local authorities was

extended to include the provision of secondary education,¹ to which the most promising of the children in primary schools were freely admitted by a system of scholarships and free places. The Act was a landmark in several respects. It extended the system of State education from the primary to the secondary stage; it extended the right to education, by providing a new door of opportunity through which children might pass from the free primary school, by means of scholarships or other assistance, to the secondary school and the university; and it reformed the administration of education by constituting strong local authorities, with administrative staffs of their own, which have gradually come to 'balance', in the traditional English way, the central authority—or rather to co-operate with it under a system of State grants in aid of local expenditure.

The last thirty years, if they can show no great or particular landmark, have been filled by many new growths, as if England were resolved that when movement had once begun it should be both rapid and general. Seven of the English universities have been founded, in their present form, since 1900; and the State has extended its system of grants to aid all the universities of Great Britain. The primary schools are being reformed at both ends—on the one hand by a movement towards nursery and infant schools, and on the other by a policy of instituting central schools, to which all children who do not go forward to secondary schools are to be transferred at the age of 11. Training colleges for teachers have been founded by the new local education authorities; and these, along with the old voluntary training colleges, have been brought into closer connexion with the universities. A new movement for adult education has been started by the Workers Educational Association; and this movement, with the aid of the universities and of the State, has provided tutorial classes for urban workers, and is now spreading into rural villages. The ardent reformer may sadly reflect on 'the petty done, the undone vast'; but on a long view we cannot

¹ But boroughs which are not 'county boroughs' (i.e. boroughs equal to counties, and therefore independent of the authority of the county in which they are situated) are only competent to deal with elementary education; and the county authority therefore controls secondary education within their area.

but recognize that the Modern State is steadily moving, in education as in other matters, towards a higher conception of the services which it must render, and the rights which it must guarantee, to its members. If, in the sphere of its 'social services' proper, it is adopting the principle of welfare, we may also say that, in its educational service, it is adopting the ideal of an 'education of humanity' which runs from the nursery school to the adult tutorial class. Isocrates once said of his country, in one of his speeches, that 'Hellas had become a *paideia*'—an education and a culture. The Modern State will perhaps always remain an 'economy' as well as a *paideia*, and it will long continue to be concerned with the material cares of its great household no less than with the spiritual growth of all its members. But at any rate we may say, at the end of this review, that the Modern State has travelled a long way, since 1660, towards a conception of its services which will include mind as well as body, and spiritual development as well as material welfare.

One other thing may also be said. When we consider the history of the Modern State, not only in education, but in all its services and activities, we cannot but recognize the debt which all States owe to one another. Each country has developed according to its own genius; and each has produced its own fruit. But each has produced some institution, or some method of public service, which has served as an example to others; and each, in turn, has borrowed from each. There has been a rivalry of methods, but it has not been unfriendly; one country has studied, adopted, or tried to improve the methods of another; and all have combined, however unconsciously, to promote the growth of a common European standard of administration and public service.

NAVAL AND MILITARY DEVELOPMENTS FROM THE CLOSE OF THE MIDDLE AGES TO THE PRESENT TIME

By A. HILLIARD ATTERIDGE

CHAPTER I

WAR AND PEACE IN THE MIDDLE AGES

1520-1648

War and peace in the Middle Ages—change to a more warlike period—results of the introduction of firearms—in European war—in the newly discovered countries—on the sea.

Developments consequent on the Reformation—rivalry of Francis I and Charles V—so-called ‘wars of religion’—growth of the Turkish menace in presence of a divided Christendom—intermittent war in Europe—civil wars with open or covert intervention of foreign Powers—France—the Netherlands—England and Ireland—Philip II and Elizabeth—religious wars with mixed political and dynastic motives.

The Thirty Years War—the Treaty of Westphalia—results of the long war—the coming of standing armies—mercenary troops in European wars.

WARS, battles, and sieges fill so large a space in the pages of our school-books and popular histories that it is no wonder there is a very widespread impression that there was very little peace in central and western Europe in the centuries before the great crisis of the Reformation. If this were really the case, we may well wonder how the people of the later Middle Ages were able to found and maintain so many famous schools and universities; how so much time, labour, and wealth could have been expended on the erection and decoration of so many glorious cathedrals, abbeys, and stately civic buildings; how the highly organized commerce of the Hansa League could have flourished for so long a time; how the Flemish cities were able to develop and maintain a prosperous system of manufacture and trade.

Historical romances, ballads, and novels help to popularize and perpetuate the idea that the Middle Ages were everywhere a time of ‘battle, murder and sudden death’. But the fact is that in civilized Europe in the four centuries since the great break

in its religious unity there was more armed strife than in the four hundred years before that event.

In those earlier centuries standing armies and regularly organized war navies were still in the future. Most wars were very local and the forces engaged were small. Extensive districts were exempt from war for long periods, and even when the state of war existed it did not usually affect and paralyse the everyday life of whole nations. In many countries the influence of a common faith and the efforts of the Church had for long periods established customs and common agreements that limited the full fury of war. Such, for instance, were the 'Truce of God'—the right of sanctuary, and the immunity of lands held under religious ownership. A shadow of the coming change to less peaceful conditions was the break-down of those safeguards here and there towards the close of this comparatively peaceful time.

Change to a more Warlike Period

An important factor in altering the whole situation was the invention of gunpowder, or rather its introduction into European warfare. This meant a gradual adoption of weapons that required skilled artificers to produce them and trained soldiers for their effective use. Cannon, few in number and clumsy and inefficient, are first heard of in the later Middle Ages in the wars of Christian and Moslem in Spain, and this only in siege warfare. Then a few heavy guns were sometimes dragged into position to fire two or three shots in the first stage of a battle. Towards the end of the fourteenth century the 'hand gun' or 'hackbut' makes its appearance: a roughly devised musket, fired with a slow match. One may say that, broadly speaking, in the fifteenth century the firearm was a rarely used novelty, and except for its 'moral effect' less effective than the bow. By the close of the sixteenth century it had come into its own, and the bow was old fashioned. In the next century the bow was obsolete.¹

The new weapons meant new siege methods and battle

¹ Bows and arrows lingered to a much later date in eastern Europe. At Leipzig in 1813 some of the French fell to the arrows of wild tribesmen from the Russian steppes—this was probably the last appearance of the bow in European warfare.

tactics. The dividing line between the professional soldier and the improvised levies of earlier times became more and more marked. The introduction of firearms had thus far-reaching effects on political and social conditions. It was a powerful factor in the break-up of what we may call the internal balance of power in European countries, as it had existed in the Middle Ages. Royal and Republican governments began to form small standing armies, and often accepted the services of mercenary troops formed by adventurers as a business speculation. Against trained professional soldiers, armed with the new weapons, the feudal levy of a district or a local peasant rising was alike all but helpless. A baron could no longer hold his castle or a city close its gates against a king who had cannon ready to batter down old-fashioned walls and towers. The growth of absolutism in government and the improvement and extended use of firearms were parallel developments of the sixteenth century.

In a wider sphere the coincidence of the coming of these new weapons and the opening up of new worlds by the voyages of great navigators, at the close of the Middle Ages, had a remarkable influence on European conquest and colonization beyond the seas. To primitive peoples the European adventurer with his muskets and cannon seemed to be armed with the thunders of heaven. A mere handful thus equipped were more than a match for thousands fighting with spear and bow, or it might be with rude weapons of the Stone Age. Cortés began the conquest of Mexico with a little army of 40 horse, 550 foot, and 8 small cannon.

On the sea, within a few years, in the second half of the sixteenth century, the old methods of war all but vanished. At Lepanto in 1571 the battle tactics differed little from those of the preceding two thousand years. It was a close fight of oar-driven galleys locked together. At the outset a few shots were fired by the light guns in their bows, and musketry played some small part in the *mêlée*. The only tall ships in the fight were the four galleasses on the Christian side that fired a few broadsides in the first stage of the battle. It was decided by the hand-to-hand fighting on the bulwarks and decks of Don John of Austria's

202 low-built galleys, and Ali Pasha's 274. But only seventeen years later in 1588, in the battles between the Spanish Armada and the English fleet, there was not even a single galley in action. The battles were between heavily masted and sparred sailing-ships, and everything depended on their cannon fire. In the following century the broadside battleship and frigate were the only ships for the battle line and, instead of assembling fleets mostly composed of armed traders, governments had to rely on permanently organized war navies, just as on the land they kept up standing armies.

Thus it came that the executive power of every State in Europe was permanently armed for war, and fleets and armies were held ready to be the instruments of policy.

Developments consequent on the Reformation

The rupture of religious unity in civilized Europe was followed for more than a hundred years by civil strife and international conflicts. These were either the direct results of this tremendous break with the past, or were embittered by the new situation.

It may well be regarded as a dire calamity that for over a century European Christendom should have been rent asunder by wars waged in the name of religion. But it must be remembered that the Reformation was not only a revolt against the old faith that had given its spiritual guidance to Europe for more than a thousand years, but that it was also a social and political revolution. The wars that followed the coming of the Reformation were again and again the outcome of political ambitions as much as or even more than of any zeal for religion. In Germany Luther secured the support of the rulers of Brandenburg, Hesse, and Saxony and many less important princes and nobles by truckling to the absolutism of these allies, and insisting on their right to regulate religious matters without any interference from Rome and ruling their subjects in Church as well as in State affairs. The Habsburg defence of the old faith was linked very closely with the policy of securing some real power for the Empire in the German lands.

The earlier wars of this period had their origin entirely in

personal ambitions and dynastic claims. Begun in the years when few, if any, could imagine that the religious disputes in Germany were anything more than local quarrels between preachers and university professors their causes had nothing to do with religious questions. The peace of Europe was thus broken in the first instance by the rivalry between the Emperor Charles V and Francis I of France. This proved to be the prelude to the century of 'wars of religion', when the progress of the Reformation introduced a new complication into the politics of Europe.

Charles V had no sooner been elected Emperor than he engaged in the first of a series of wars with France. In right of his descent from the Burgundian line he laid claim to Burgundy, and demanded from Francis I the Milanese territory, which the French had occupied and which he claimed as a fief of the Empire. The strife between the French King and the German Emperor was soon complicated by religious quarrels in Germany. France was secretly supporting the Protestant princes against the Emperor, and at the same time Lutheran adventurers, for whom 'the best of causes was the best of pay', were serving as mercenaries in the imperial armies in Italy.

After the imperialist victory at Pavia, Pope Clement VII, alarmed by the prospect of a German predominance in Italy, joined Venice and his native Florence in a league with France. His policy resulted in one of the most terrible disasters for Rome, at the hands of a German army largely composed of these Lutheran mercenaries, serving under the banner of the Catholic Emperor in northern Italy, and commanded by the ex-Constable of France, Charles de Bourbon, who had been led by personal ambition to renounce his allegiance and take service against his King. Bourbon with his strange following of mercenary troops, who counted the Pope as anti-Christ and hoped for rich booty in Rome, made a dash for the city, which was utterly unready for defence. Bourbon was killed in the storming of its walls, and the Lutheran general, George of Frundsberg, gave a free hand to his victorious followers. For days Rome was a scene of massacre, outrage, sacrilege, and pillage that

outrivalled the worst horrors of barbarian conquest in earlier centuries. Clement was only too glad to patch up what proved to be a lasting peace with Charles V and two years later solemnly crowned him at Bologna.

Growth of the Turkish Menace

This long period of international and civil wars and prolonged religious strife exposed civilized Europe to a special danger from the growing power of the Ottoman Empire. In the first years of the sixteenth century—on the eve of the Reformation—the Ottoman sultans were rulers only of a comparatively small extent of the Moslem lands. The Turks held not only their old territories in Asia Minor, but in eastern Europe the lower Danube was their frontier. It was one of the greatest calamities in the whole course of history that just when Europe was torn asunder by strife two soldier sultans of exceptional enterprise and ability reigned in succession for more than half the century. Selim the Grim (1512–20) conquered Kurdistan, pushed his eastern frontier to the Caspian, and won the northern lands of the Tigris and Euphrates and Syria, Egypt, and northern Arabia. This last conquest made him lord of the Holy Cities of Mecca and Medina and his victory over the last Mameluke ruler of Cairo gave him the title of Calif of Islam—‘Khalifa’ or successor and representative of the Prophet. His son and successor, Suleiman the Magnificent (1520–66), was a conqueror by land and sea. He took Belgrade, and drove the Knights of St. John from Rhodes. In 1526 he crossed the lower Danube with an army such as had not yet been seen in European war—100,000 men with 300 cannon. At Mohacs he overwhelmed the Christian army. King Louis of Hungary and some 20,000 of his followers were slain in the fight and the fierce pursuit. Three years later Suleiman besieged Vienna, and failed to capture it, but for 150 years the Habsburg capital was within four days’ march of the new frontier of the Turkish Empire.

In Asia Suleiman’s generals won for him Baghdad and all the lands of the Two Rivers down to the Persian Gulf. In the

Mediterranean the development of his sea power became a new menace to Europe. He successfully imposed his overlordship on all the Moslem rulers of North Africa from the Nile to the Atlantic. Reinforced by their sea-roving galleys the Turkish fleets held the command of the Mediterranean. In 1538 in the Adriatic, off Prevesa, they defeated and scattered the united naval squadrons of Spain, Venice, and the Holy See. It was not till nearly forty years later that this disaster was redeemed by the victory of Lepanto (won by the Armada of the Holy League of Rome, the Italian cities, and Spain).¹ But long after this triumph the disunion of the Christian States of Europe left the commerce of the Mediterranean in constant peril from the piracy of the North African Moslem sea-rovers, and its coasts exposed to their plundering raids.

As long as Francis I lived there was intermittent war between him and Charles V and the open or secret allies of these rivals.² Charles was throughout embarrassed by the growing Turkish menace and the internal conflicts in Germany itself with the Protestant princes.

Civil Wars in Western Europe

Under the immediate successors of Francis, the later Valois kings, came the series of civil wars known in French history as the *guerres de religion*.

Protestantism of the grim Calvinistic type had made considerable progress in France, and had many adherents among the wealthy classes and nobles, with princes among its protectors. The Huguenots became a powerful party, but in the civil wars that followed rivalry among the great houses was as

¹ The victory was won at a moment of supreme peril to Europe. A feeble sultan, Selim 'the Drunkard', had succeeded Suleman, but the veteran statesmen and war leaders of Turkey, after conquering Cyprus, had concentrated in the Gulf of Corinth squadrons drawn from all the Moslem States of the Mediterranean, and were threatening an enterprise against Venice and Italy. Pius V formed the Holy League. Though it was broken up by the secession of Venice after the victory, it was nearly two centuries before the sultans again attempted to organize a great war fleet.

² There were four periods of war between the rivals—1521-6, 1527-9, 1533-8, and 1542-4. Francis I died in 1547.

serious a cause of strife as any religious interests. Both parties sought open or covert aid from other countries, the Guises and the Catholic League from Spain, the Huguenots from the Protestant princes of Germany and Elizabeth of England. When, in 1589, Henry III, the last of the Valois line, died leaving no male heir the crown of France under the Salic Law passed to the head of the house of Bourbon, Henry, the Huguenot king of the little southern State of French Navarre. The last phase of the wars of religion was a fierce conflict between the Catholics, led by the chief of the Guises (the duke of Lorraine), and the Huguenots under Henry of Navarre. Though victorious in the field he secured his kingdom by a peace for which the way was prepared by his reception into the Catholic Church, while the Huguenots were accorded a privileged status in France.

There had been civil war in Scotland, and abortive risings against the Reformation in England. In Ireland the long strife between the English of the Pale and the Irish chiefs had assumed a new character, Elizabethan conquest now meaning the attempted extermination of the old religion and fierce persecution of its adherents. Philip II of Spain had given some help to the Irish leaders—help of no great moment and with disastrous results. For years he was fully occupied with the formidable revolt of the Netherlands, which ended in the northern provinces establishing a free republic, the Catholic south remaining under Spanish rule. He long avoided open rupture with the England of Elizabeth, despite the piratical raids of English adventurers on his oversea possessions, and the open help given by the English queen to the revolted Hollanders. When at last he ventured on the enterprise of the Great Armada his instructions to his admirals showed that he did not count upon any easy success. Peace might be made with Elizabeth if there were such toleration granted to the English Catholics as the king of France had already given to the Huguenots, and if there were an end of English help to the rebels in the Netherlands and compensation for the plundering raids of Drake and his colleagues. The enterprise ended in utter disaster.

The Thirty Years War

A hundred years of intermittent war and all but continuous strife led up to the terrible Thirty Years War (1618-48). It began with the revolt of Prague against the king of Bohemia and the German Emperor, and developed into a conflict in which Spain, the house of Austria, and most of the Catholic princes of Germany were opposed to various coalitions of opponents mostly fighting for mere political and territorial purposes, and including in their coalitions Catholic as well as Lutheran and Calvinist princes and States. At one time or another every country in central and western Europe played a part in it. Lutheran Sweden, under King Gustavus Adolphus—perhaps the ablest soldier of the time—took a leading place in the later combinations against the Habsburgs. France, under Richelieu, was the ally of the Protestant Powers in these later phases of the war, after having assisted them by subsidies at an earlier stage. The Cardinal statesman was thinking, not so much of any religious object, as of his policy of extending France to ‘the natural historic boundaries of ancient Gaul’, and making her the dominant power in Europe by humbling the Habsburg Empire and the power of Spain. Hence came his alliance with the Protestant princes of Germany and the famous champion of the Reformation, Gustavus Adolphus.

The Thirty Years War ended with the Treaty of Westphalia in 1648. It recognized the independence of the ‘United Provinces’ of the Netherlands, and marked out various new frontiers of less importance. It secured the position of the Protestant princes and free cities of Germany, and further established absolutism in Europe by recognizing the principle *cujus regio ejus religio*, the ruler of the State settling the religion of his subjects. It thus further limited the influence of the Emperor and the Imperial Diet in Germany. The gains of the Reformation and the Protestant princes were dearly bought, for the long war ruined Germany for nearly a century to come.

But we are here concerned mainly with the results of more than a hundred years of war (1520-1648), on the development

of war methods and military power, and the influence of these on the period that followed the Peace of Westphalia. One all-important result was the coming of standing armies as part of the permanent organization of European States. Another notable development was the considerable part played by mercenary troops in European wars.

The Coming of Standing Armies

In the Middle Ages permanently organized armies were unknown. Kings and princes at most maintained a small personal guard. Castles in the 'marches' or border districts of some countries had a small skeleton garrison, retainers of a local noble, or 'warden of the march'; walled towns depended for defence largely on a levy of their armed burghers in time of danger. There was no 'War Office', no annual war budget. When war was imminent an army was organized by calling out feudal levies and loyal citizen forces, and kings asked their subjects for a special grant of funds. In England it was an innovation when, at the outset of his war with France, Edward III commuted numbers of feudal services for a cash payment to maintain an army overseas.¹ But there were no war taxes in time of peace. The nearest thing to permanently organized regular forces were the bands of mercenaries raised by adventurers who sold their services to the best bidder. Towards the close of the Middle Ages these had good paymasters in the Italian republics, and Swiss guards were to be found in more than one foreign country.

It was during the long wars that began in the sixteenth century that permanent armies came into existence. The Spanish kings led the way, when they began to organize their new infantry regiments, the *tercios*—bodies of from 2,000 to 3,000 trained foot soldiers, at the outset usually made up of one-third of musketeers and two-thirds of pikemen. The new departure heralded the coming rise of infantry² into the position of the

¹ He also appropriated for his war fund moneys originally collected for the defence of Europe against the Moslems.

² Some of the Spanish regiments of to-day trace their record back to one or other of the famous *tercios* of Philip II. These regiments had, in several cases, for

main force in the battle line, though long after cavalry formed a larger element in armies than it has held in modern war.

The rise of infantry to the dominant place in regular armies was long delayed by the fact that against the attack of cavalry the musketeer had to be protected by the pikeman. There were complicated drill methods for securing that against a mounted charge the pikes should form a hedge of steel while the musketeers took shelter behind them. It was not till in the seventeenth century when the bayonet was invented and gradually came into use that pikes disappeared and the musketeer could protect himself. An important result of the gradual rise of infantry to the leading position in regular armies was that as the foot soldier was, in western and central Europe, easier to recruit and cheaper to equip and maintain than the mounted man, there began that numerical increase in armies, which led to the idea of 'the nation in arms' in the nineteenth century.

Once standing armies appeared, though the force under arms was greatly reduced at the end of each war and whole regiments were disbanded, it was realized that as armies could no longer be improvised it was good policy to keep a considerable force permanently in existence. The standing army became not merely a safeguard against foreign invasion, but also an armed police for the enforcement of the will of absolute governments. There was a tendency for the soldier to cease to be a citizen, and in many countries there was the development of something like a military caste.

Mercenary Troops

Mercenary troops played a very large part in the wars of the period preceding the Thirty Years War and in that long conflict itself. We read of them here and there in the records of medieval warfare, but it was in the sixteenth century and the first years of the seventeenth that they became an important element in European armies. Generally speaking, these 'soldiers of fortune' owed no allegiance to the State or the prince under

their 'honorary Colonels' princes of the Royal House—the 'Infantas'—so the new army of trained foot soldiers came to be known as the *infanteria*, a name that in modified forms has passed into the military language of all Europe.

whose banner they fought. There were amongst them, indeed, men who took service under a foreign flag not entirely for mercenary motives but fought with some zeal for the champions of the old faith or the 'new Evangel'; but the mercenaries mostly were professional fighting men, who made war their trade, and, to use Fuller's expression, 'consulted the coin not the cause of those who entertained them'. Among their leaders were successful soldiers who enlisted a band of followers as a modern contractor engages his workmen. The German Lutherans, who followed Frundsberg to the storm and sack of Rome, were in the pay of the Catholic Emperor. In England the formidable rising against Somerset on Cranmer's introduction of Protestantism in the name of the boy king, Edward VI, was suppressed with the efficient aid of bands of foreign mercenaries. A list of their leaders, compiled from the Acts of the Privy Council and the State Papers, shows that among these were not only sound Lutherans, like 'Otto, son of the Duke of Brunswick', but also Spanish and Italian Catholics, some of them sons of noble houses. Such were among the Spaniards Christopher Diaz and the Marquis de Anceza, and among the Italians a Malatesta of Rimini and a Spinola of Genoa. These adventurers of many nations—German, French, Spanish, Italian, Hungarian, and Albanian—were veterans of mercenary warfare recruited by Somerset's agents in the Netherlands and north Germany.

Wallenstein's army, which played so large a part on the imperialist side in the later stages of the Thirty Years War, included a large number of these soldiers of fortune. When Wallenstein began to play 'for his own hand', a dangerous game that was a peril to the Empire, it was a group of officers of his Scots and Irish regiments that formed the successful conspiracy for his assassination.

Many of these adventurers, amid the changing combinations of the long war, themselves changed sides freely—like Walter Scott's Dugald Dalgetty—in search of better conditions of service and opportunities of gain. Their pay was only one source of it, for the experienced soldier of fortune found his opportunities in the storm of besieged cities, and the levy of

finer, requisitions, and contributions when his troops were 'living on the country'. Among friends or foes the foreign mercenary in his dealings with burghers or country folk had no scruple in reaping 'such gains as the law of war allowed' at the expense of the mere civilians, and the soldier was, in his own mind, the best judge of how far he might stretch this unwritten law—

the simple plan
That those may take who have the power,
And those may keep who can.

CHAPTER II

FROM THE END OF THE THIRTY YEARS WAR TO THE COMING OF THE FRENCH REVOLUTION 1648–1789

Efforts for peace and the reign of law—Grotius and the Law of Nations—influence of standing armies and colonial enterprises—development of the new navies—new tactics of sail and gun—the pirates—the 'balance of power'—wars of the seventeenth and eighteenth centuries—conditions of European land warfare—fortresses and siege warfare—'The Custom of War'.

Efforts for Peace and the Reign of Law

DURING the troubled years of the sixteenth century and the still darker times of the Thirty Years War some of the ablest professors of the Spanish universities, in their lectures and writings, dealt with the questions of the rights of conquest and the laws of war among Christian States. Most notable amongst these pioneers in the modern study of the law of nations were the Dominican Francis de Vittoria (b. 1480, d. 1546) and the Jesuit Francis Suarez (b. 1548, d. 1617). In days when Christian Europe was torn asunder by religious disputes and repeated outbreaks of war their teaching was based on the traditional doctrine taught by St. Thomas. Its tendency was to seek for peace by limiting and defining the right of princes to have recourse to the terrible argument of war. This could be only justified as, directly or indirectly, an act of self-defence—the repelling of open aggression, or the vindication of a just claim for injury

inflicted or lawful rights violated. A just peace must therefore be the ultimate object of war, which must be conducted *cum moderamine inculpate tutelæ* (the moderation of a blameless defence). No extravagant claims were to be put forward, and during the war itself guiltless folk, women and children, non-combatants, and clerics were to be safeguarded from injury.

The question of the right of conquest in newly discovered lands was very frankly dealt with by Vittoria. Sepulveda, court chaplain and annalist to Charles V and tutor of his son, the future Philip II, had published a treatise, in which he described the Spanish conquest of America as a heaven-sent mission, with full rights of possession arising from discovery and first occupation, and ratified by the decree of Alexander VI granting to Spain all the lands west of his famous line of longitude. Vittoria was no courtier. He argued that the decree did nothing more than fix a useful limit between the regions of Spanish and Portuguese exploration and enterprise, as a safeguard against strife between two Christian peoples. The Spaniards could claim no primary right of possession. That belonged to the Indian chiefs and tribes. The Pope had only direct dominion over Catholic peoples in matters spiritual. In temporal affairs he had only a secondary and indirect right where spiritual interests were involved, but he had no right over non-Christian nations. From these the Spaniards might claim only the use of friendly human intercourse, the right of opening trade on fair conditions, and acquiring by just bargains settlements and land.

His argument left, it is true, an opening for possible wars and conquests, for he granted that in America, as in old Europe, unprovoked attacks and unjust pretensions might be met by armed force.

But his whole treatise was a plea for just and peaceful dealings with the Indians. Conquest, he said, was not justified by the wish to extirpate idolatry or evil and unnatural customs. That must be left to peaceful mission zeal. He pointed out that in Africa the Portuguese had opened trade, not by armed force, but by agreements with native kings.

His influence strengthened the hands of Las Casas when Spain enacted a code of laws for dealings with the native Indians—a code unhappily only partly reduced to actual practice.

Grotius and the Law of Nations

There is no doubt that the work of Vittoria, Suarez, and the other Spanish writers of the time, who pleaded for peace and justice in international affairs, prepared the way for and influenced the epoch-making work of the Hollander, Hugo Grotius (the 'Father of the Law of Nations'), on the laws of peace and war and the rights of maritime trade. He wrote in the early years of the Thirty Years War, inspired by his horror of the endless strife that menaced the civilization of Christian Europe. Some years earlier Sully, the famous minister of Henry IV of France, had, in his long retirement from public affairs, devoted several chapters of his *Memoirs* to a project for ending the peril of future wars by forming a confederation of all the European States (except Russia, still regarded as a semi-barbarous and semi-Asiatic land, and Turkey, the enemy of Christendom). Fifteen States or groups of States were to be the units of these 'United States of Europe' and to be represented in a central Amphictyonic Council that would regulate their mutual relations and avert strife among them.

It was a daring vision of a future League of Nations. Grotius dealt with existing actualities. He examined the bearing of the natural and divine law upon international relations and the accepted methods of intercourse between States in peace and the laws and customs recognized as modifying even the miseries and horrors of war. Peace and order in Christendom was the end he had in view.

Like the Spanish legists he accepted the traditional doctrine of war being justified only by the vindication of right, when all other means of securing justice have been exhausted. Statesmen and diplomatists were bound in conscience to labour for a friendly settlement of all disputes, and, if war began, to neglect no opportunity for the restoration of peace.

Grotius and his successors rightly insisted on the 'declaration of war' being no mere order for hostilities to begin, but a solemn public recital of the causes that had rendered this step inevitable. The State must endeavour to give its subjects some plain arguments to show that they were not called to arms without reasonable cause and must justify its action by communicating this defence of its policy to friendly and neutral powers. Some such proceeding had long been a tacitly recognized prelude to civilized warfare, but unhappily this had not always been duly honoured in actual practice. Nor did the efforts of the legists secure its observance in the future.¹

Influence of Standing Armies and Colonial Enterprises

With what were mostly armies of moderate strength—compared with those of recent times—mobilization for war was not a very elaborate business. There was no mustering of vast reserves, no need of accumulating immense supplies of munitions. In a time of tension between two Powers it was easy for one or other to create a 'frontier incident' and start the terrible game of war by securing a first success. But there were, further, new world-wide conditions that could easily lead to a drift into war. International competition for ocean trade and oversea colonies was beginning. News of events on the seas and beyond the seas travelled slowly. Disputes in the colonies led to local strife that later became the cause of war between the home countries, and dynastic quarrels and international conflicts in old Europe lit up local wars in the new lands. So we find a quarrel between Dutch colonists and English traders in far off

¹ When in 1883 the British Government opposed the proposed construction of the Channel Tunnel and, rightly or wrongly, argued that in case of war with France it might be used for a sudden surprise attack on England, begun by a seizure of its northern outlet by a raid in a period of tension, without a Declaration of War, the advocates of the project argued that no European nation would begin hostilities without such a warning. The government of the day replied by issuing, as a State paper, a remarkable historical study of *Hostilities without Declaration of War from 1700 to 1870*, the work of the late General Sir Frederick Maurice, then Chief of the Intelligence Department. He showed that during the period under review 'every one of the Great Powers of Europe' had 'again and again', despite the recognized usage of the Law of Nations, engaged in acts of war without any preliminary declaration or warning.

Java leading, some years later, to a naval war between Dutch and English in the North Sea; and the war of the Spanish Succession, when England supported one of the claimants to the Crown of Spain, was made the pretext for destructive raids by the English in Virginia against the Spanish missionaries of Florida who had no concern in the quarrel in Europe.

During the sixteenth century Spain and Portugal—for some time united under the Spanish kings—had held almost a monopoly of oversea trade with the New World of America, and, by the Cape route, with India and the Far East. By the end of the Thirty Years War the new Republic of the Netherlands had become a serious competitor for the Eastern trade. In 1652—forty years after the English ‘Honourable East India Company’ had established their first trading ‘factory’ in India at Surat—the Dutch East India Company occupied Table Bay and built a fort below Table Mountain. This was the victualing station for their annual India fleet, a half-way house to the East. They established posts in India, conquered Ceylon, Java, and the archipelago of the ‘Spice Islands’, opened trade with China, and long had the sole monopoly of trade with Japan.

The Dutch still hold a prosperous island empire in the Far Eastern seas, but early in the eighteenth century France and England had become the chief competitors for the Indian trade. This rivalry had begun some forty years before when in 1662 Bombay became a British possession as part of the dowry of Charles II’s Portuguese bride. Three years later Colbert re-organized the French East India Company.

Development of the New Navies

With this growth of oversea interests, in the period with which we are here dealing, sea-power and naval armaments became more important factors in national policy. Permanently organized fleets and government dockyards were now considered essential to the security of every State that had a seaboard and trade interests on the seas. Except in the Baltic and the Mediterranean the war-galley was no longer a typical fighting ship. Fleets had their auxiliary light craft, but their battle line was

made up of large full-rigged ships with broadsides of two or three tiers of cannon. The frigate, built for speed and armed with only a single tier of guns, was used for scouting and protecting convoys of merchant ships. The galleys had fought in 'line abreast'; for the new ships 'line ahead' was the only possible formation.

New Tactics of Sail and Gun

Naval tactics and strategy developed very slowly. Possibly one reason for this was that it was long the recognized practice to regard soldiers of good family as eligible for the command of line-of-battle ships, with a sailor-officer to look after navigation and translate their orders into language that seamen could understand. With signalling in a state of primitive inefficiency, it was no easy matter for an admiral to control his fleet in action. The standing orders issued by the Duke of York (afterwards James II) as Lord High Admiral of England regulated naval battle tactics for more than a hundred years, and were typical of those in use in most foreign navies. Fleets were to fight in 'line ahead' on a parallel course and opposite tacks, exchanging broadsides as they passed each other and then tacking or wearing to renew the fight on a reversed course. It was laid down that in no case was the line to be broken. Many a battle became a mere indecisive cannonade. It is remarkable that more effective tactics were first elaborated in the middle years of the eighteenth century by two studious landmen, a Scottish country gentleman and a French Jesuit professor of mathematics. The central idea of their new theory of naval war was that instead of fighting in opposing lines where, at each point in the parallel battle, ship would oppose ship, the 'single line ahead' should be broken in order to cut off a part of the opposing fleet, bring it under fire from both sides, and cripple or destroy the ships thus attacked by a double fire before their consorts could come to their help.

The new system was first tried with decisive results in Rodney's fight with the French fleet of De Grasse off Dominica in the West Indies in 1782—an epoch-making event in naval war.

To put the matter briefly, Rodney's flagship was in the centre of his line—a usual place for a commander-in-chief to occupy. A tempting gap opened in the opposing line, and Rodney altered his course and sailed through it, followed by all his rearward ships. The rearward half of the French line found itself caught by double fire from both sides and the battle was won with heavy loss to the French in ships and men. It was for England the herald of a new era of naval victory.

In the manning of these old navies it was usually only the officers, and even not all of these, that had a permanent connexion with the sea service of the State. In England when a warship was commissioned the seamen were enlisted by voluntary engagements, supplemented by the right of forcibly enrolling seamen, even taking them from the crews of merchant ships in home waters. The Royal Marines were soldiers enlisted for sea service and were the police of the ship. In war-time detachments from the land army were often temporarily ordered for sea service.

The Pirates

The merchant seaman soon became an efficient man-of-war's man, for all ocean-going merchant craft carried a few cannon and a supply of small arms. Ships in the trade of the Indian seas were practically warships, for they were heavily armed as a precaution against piracy. Until the middle years of the nineteenth century the East India Company maintained a navy of its own. All through the seventeenth and eighteenth centuries piracy was not confined to the Moorish corsairs of the Mediterranean. Adventurers of many nations—not a few Englishmen and Scots among them—preyed upon peaceful commerce on the ocean. Cruising in ill-charted seas and protected by the slowness with which news travelled, they made their bases of operations in lonely islands of the West Indies and still-unoccupied creeks and bays on the adjacent coasts, and harried the traders of the Atlantic. In the Indian Ocean Madagascar, still an almost unknown land, often had pirate lairs along its coasts. Ocean piracy lingered on into the

earlier years of the nineteenth century, until, after the peace of 1815, the navies of civilized powers dealt with the plague and provided an effective police of the seas.¹

Wars of the Seventeenth and Eighteenth Centuries—The ‘Balance of Power’

Despite the hopes of the legists for a new era of peace and ordered law among the States of Europe after the Peace of Westphalia, the century and a half that followed saw many wars in western and central Europe. Towards the end of the seventeenth century Poland, under Sobieski, played an important part in saving Vienna from falling into the hands of the Turks; the Sultan's overlordship of Hungary was swept away and a little later the rise of the Russian Power supplied a new counterpoise against the Turkish peril. Amongst the Powers in the west the Peace of Westphalia had proved to be a truce. There was frequent discord and, besides such causes of strife as arose from trade and colonial rivalries, there was a fertile source of conflict in the now-accepted theory that it was of supreme importance to preserve, even at the cost of war, ‘the balance of power in Europe’.

At the close of the Thirty Years War, France, after having played a decisive part in its closing years, was the most powerful State in the west. Under the Regency during the boyhood of Louis XIV Mazarin continued Richelieu's policy of extending its territories to ‘the limits of ancient Gaul’. Thanks to the dis-

¹ Some of the pirate chiefs secured a lasting fame of a dubious kind. Such was Sir Henry Morgan, who for a while formed a pirate league in West Indian waters, preying especially on the Spanish traders, perhaps inspired by memories of Drake and Hawkins. He made his peace with his own government by changing sides and betraying some of his old partners. He became deputy-governor of Jamaica and received the honour of knighthood. The famous Captain Kidd changed sides in the other direction. Commissioned to take a small armed ship to the West Indies to act against the pirates, he with his ship and crew took to piracy, and after some successful years rashly visited a British-American port where he was arrested and sent to the homeland to be tried and condemned for murder and piracy. His dead body hung for days on a gallows at the south end of the Isle of Dogs—a warning to mariners as they passed along the Thames to abstain from evil courses. A legend of his buried treasure has even in our day led to disappointment in lonely islands of the western seas.

tinguished soldiers who commanded his armies in a succession of wars, the 'Grand Monarque' in the first period of his long reign of seventy-two years (1643-1715) was able to add to his dominions the Flemish lands of Artois and Picardy and other conquests, the most important of which was Alsace, and after a long war of succession he was able to place a Bourbon king on the throne of Spain. Success passed from France to her opponents in the closing years of his reign, when Marlborough and Eugène turned the tide of victory against the marshals of France. His successor, Louis XV, was unfortunate in most of his wars. England, the rival of France on the seas, and more closely linked with continental politics by the accession of William of Orange, was a party to all the leagues against France in this period, and gained ultimately most of the French colonies besides immensely developing her naval power.

Conditions of European Land Warfare

Many of the wars of the time dragged on for several years. This was largely the result of military operations on land, and to a considerable extent on sea, being usually limited to the finer months of the year. When autumn was nearing its end armies went into 'winter quarters'. Winter operations were rare. There was a tacit truce in the months of rain and snow, not because men were lacking in endurance, but because the roads became quagmires over which supply trains and the cumbrous artillery of the day could not move. So there was an idle time with the troops in cantonments in towns, villages, and hut camps, while officers of rank and 'gentlemen volunteers' had leave to go home for a rest or to attend court in the capitals.

Lack of good roads made it impossible to supply in the field and place in the battle line very large armies. At Blenheim in 1704 the victorious allies under Marlborough and Eugène brought a little over 50,000 men into action against Marshal Tallard's Franco-Bavarian army of nearly the same strength. Frederick the Great's victories were won by small armies and, thanks to his splendid leadership and the thorough training of his Prussians, often against heavy odds. In his first victory at

Mollwitz in 1741 he had numbers on his side, 22,500 Prussians against 19,000 Austrians. At Rossbach in 1757 he had only 22,000 men against a French army of 43,000 under the Prince de Soubise, an incompetent general who owed his rank and command to court intrigues. The French were moving in column of march without advance or flank guards when the Prussian king made a surprise attack and utterly routed them in a two hours' fight, in which only half of his small army was closely engaged. In the same year with 43,000 men Frederick drove an Austrian army of 72,000 from its entrenched position at Leuthen, gaining their extreme left flank by a march through the woods, and rolling up the line from end to end. His key to victory was falling on a part of the enemy's line with locally superior numbers, instead of, as had long been the custom, meeting an enemy front to front with approximately equal forces at every point.

In proportion to the numbers engaged the losses in these old battles were heavier than those of most battles of recent days, though these latter have been fought with the terribly effective arms and explosives provided by modern scientific progress, while the soldiers of the earlier time fought with old-fashioned smooth-bore flintlocks, and equally ineffective cannon. Battles were fought at close quarters, infantry exchanging musketry fire standing erect, shoulder to shoulder, at a range of 150 or even 100 yards. The bullet, a leaden ball weighing an ounce or more, was very effective when it found its billet. The light field artillery of the time—5-, 6-, or 9-pounders with a range of about half a mile—sent its iron balls ricocheting in long bounds after their first graze and could tear a line of dead and wounded through a massed enemy. In the hard fight at Mollwitz the defeated Austrians had nearly 3,000 killed and wounded out of 19,000 in action; the victorious Prussians 3,900 casualties among only 22,500 men. Even slight wounds often meant death. Anaesthetics and aseptic surgery were far in the future. Badly injured limbs were amputated in rough-and-ready fashion; wounds became septic; war hospitals were pest houses, with men dying of what was known as 'hospital

gangrene', a mysterious disease to the minds of men of the time, for it became more and more frequent in a hospital after the first days of its installation. War has new horrors in our progressive age but it has lost some of the worst horrors of the past.

Fortresses and Siege Warfare

Shell-fire was still unknown in the battle-field, but in siege operations fairly large shells were thrown from mortars at short range from the attacking lines. The gunner lit the fuse with the same match with which he fired the mortar. In many of the campaigns of this period there were more sieges than battles, and battles were often fought by a 'covering' army of the besiegers to prevent the approach of the relieving force or the passage of a convoy of supplies through the lines of the attack. On all the chief frontiers in Europe there was on both sides of the boundary a line of fortified towns, and many famous campaigns had for their object the reduction of one or more of these places in order to break through the defensive barrier.

Fortified towns had undergone a notable change since the Middle Ages. Their high battlemented walls were easily breached by cannon-fire and thus had now little defensive value. Entrenched lines of rampart and ditch were constructed on the cleared site of the old walls or outside of them. A line of rampart and ditch was strengthened by running out projecting works to bring a cross-fire upon an attack. Louis XIV's chief engineer officer, Sébastien de Vauban, reduced the new fortification to an art, and drew round the land side of Dunkirk a network of rampart and bastion and ravelin that seemed to defy attack. Placed in command of the King's operations against the Flemish barrier fortresses, he devised a key to pick the lock. It was no longer necessary to blockade a fortress with seven or eight times the forces of the defence. It was enough to provide a mobile covering force to prevent convoys succouring it, while a small besieging force attacked a single front of the place, approaching it by successive lines of trenches linked by zigzag communications, establishing breaching batteries to first wreck a projecting work and then storm it, and attack in the same way

the main rampart. Fortified places seldom held out till the breaches of their ramparts were stormed. A surrender on honourable terms was considered to be allowable once the rampart was breached. Shell-fire from mortars was limited to the actual fortified works. Towns were seldom wrecked by bombardment as so often happened in the Great War of our own day.¹

'The Custom of War'

In these old wars, with disciplined armies in the field, the prevailing 'custom of war' spared the peaceful civilian population to a far greater extent than in later wars. There were exceptional cases of a district being laid waste to make it more difficult for an opponent to draw supplies from it. The comparatively small armies of the time drew their main supplies by convoys from magazines collected at the base of operations, supplemented by opening markets where local produce was purchased by the commissariat. In the records of eighteenth-century campaigns there are what seem to us strange instances of long delays in arranging for the use of supplies accumulated on the spot till leave has been secured from the civil authorities.

The prevailing 'custom of war' also forbade outpost lines, even within short range of each other, indulging in local skirmishes or exchanging fire. It was considered to be a useless loss of life for no practical result and a general disturbance of rest on both sides; to engage in sniping and raids on the hostile line were unheard of. Strong measures, including summary execution of soldiers caught in the act, were adopted to prevent pillaging near a standing camp or on the line of march. It may be that these measures for the protection of the civil population were largely dictated by other than humanitarian considerations, for it was realized that it was better not to drive the people of an invaded district into armed resistance by harsher conduct.

¹ Several of the cities and towns of the present Franco-Belgian frontier region were repeatedly besieged in the wars of the eighteenth century, but their great churches and cathedrals of the Middle Ages remain intact. This is true also of their town halls and numbers of their old houses. The civil population had to endure shortness of food in a siege and ran serious danger after a storm, but a bombardment of churches and homes as a means of accelerating surrender is a 'modern improvement'.

Armies were mostly raised by free enlistment for long periods of service, this in war-time being often assisted by bounties to the recruits. In some of the small German States of the eighteenth century there was a serious abuse, petty princes increasing their limited revenues by hiring out whole regiments of their little armies to belligerent powers in wars in which they themselves had no part. In Ireland and in the United States there is a popular tradition of the ugly deeds of the 'Hessians'—the hired troops supplied by the Landgrave of Hesse, who was a prominent dealer in this new type of mercenary troops.

CHAPTER III

FROM THE PEACE OF PARIS (1783) TO THE CLOSE OF THE NAPOLEONIC WARS (1815)

Peace of Paris (1783)—losses and gains—optimism of the years of peace.

Coming of the French Revolution—Wars of the French Republic and the Empire—characteristics of war on the sea—results of British command of the sea.

War subsidies—growth of armies—enforced service and conscription—coming of the 'nation in arms' through the Prussian army reorganization after Jena.

Napoleon introduces the army corps organization—losses in the wars of the Empire—battle methods—Napoleonic strategy—wastage of armies in war—losses of both the Imperial and Russian armies in the campaign of Moscow—permanent effect of the wars of the French Empire on the militarization of Europe.

THE Peace of Paris in 1783 ended a long war, the most notable result of which was the coming of the greatest of modern republics—the United States of America—with a territory extending from the Atlantic to the Mississippi. France had taken the leading part in the alliance that secured the success of the revolted colonies. But England's loss was not without its compensations. In India Englishmen had made new conquests and obtained predominant power and influence in this vast region, where, according to the ideas of the time, it was easy for the European adventurer or trader to make a fortune in a few years.

With the return of peace to western Europe after years of war there was, as so often happens when the long strain of conflict ends, a decidedly optimistic feeling on both sides of the

Channel amongst men of business and the limited class that had any voice in public affairs. In the north of England a wonderful new development was beginning in mines and factories; Watt's new engines were soon to be working the pumps and lifting gear of the former and driving the machinery of the latter, and the new canals were to save the heavier expense of road transport. There was much talk of the promise of improved agriculture and hopeful proposals for a long-needed reform of Parliament.

In France also for a while there was optimism, with much hopeful anticipation of a new age of peace and progress under the guidance of 'enlightened philosophy' and scientific discovery. This was no matter of much interest for mere field and town workers, but only for the 'upper classes' who made 'public opinion'.

The triumph of the Americans was regarded as a new glory for France and the prelude to a remarkable experiment in democratic government. The ideas of the French *philosophes* were becoming current coin among the 'enlightened classes' all over Europe. Frederick of Prussia was almost pardoned for Rossbach when he treated Voltaire as a friend and teacher of the new wisdom. Catherine of Russia at the head of what was described as 'a despotism tempered with occasional assassination' was regarded as the wisest of sovereigns when she invited French savants to her court. Continental Europe was absolutist from the Atlantic to the Ural Hills and the Caspian, but everywhere, except in Turkey, kings and petty princes took a pride in talking 'enlightened Liberalism' of the French fashion, just as at Versailles courtiers who regarded their feudal privileges as part of the law of nature amused themselves with discussing Utopian systems of popular government. Voltaire had written of the coming time when 'Kings would be philosophers'. Rousseau had predicted that the people if once 'freed from superstition' would be naturally lovers of peace, order, and brotherly goodwill. The 'age of reason' was dawning and peace would reign among the nations.

But in less than six years from the Treaty of Paris France had

a rude awakening from these dreams of a new golden age. The war had left its legacy of debt; a succession of incompetent ministers of finance and two bad harvests reduced the treasury to the verge of bankruptcy, and when, in May 1789, after an interval of nearly two centuries, the representatives of the French clergy, nobles, and commons were assembled to deal with the crisis, the Revolution began with sweeping attempts at ordered reform, rapidly drifting into years of internal strife and foreign war.

Paris itself was a scene of riot, insurrection, and lynch law, and in the country districts the small farmers and peasants were sacking the châteaux of their noble landlords. Rumours of intervention from Austria and Prussia were met in the April of 1792 by the French Assembly voting for war against the 'tyrants'. Next year English help was offered to the Dutch when the French Republican armies were invading the Austrian Netherlands, and the Paris Assembly declared war against England and Holland. The dreams of peace had vanished, and for some twenty years war became a normal condition in Europe.

These wars of the French Republic and of the Empire of Napoleon marked the first stage in a rapid evolution towards the militarization of all Europe. The progress of the nineteenth century in the arts of peace had its dark shadow in the new developments of the art of war. These brought ever-growing armaments and increased pressure of war conditions upon every class of the people and every activity of civilized life. It is interesting to trace the course of these developments, which culminated in the tremendous destruction of life and property in the four years of the Great War of 1914-18, and the lasting stress and peril of the years that followed.

In her wars against the French Republic and Empire, England at the very outset asserted, and to the end maintained, the command of the sea. In this the British Navy had from the first a decided advantage over that of the Republic from the fact that the Revolution had largely disorganized the French fleets. Louis XVI in the earlier years of his reign had done much to improve his navy, but when the Revolution declared

its hostility to both the altar and the Crown the navy lost large numbers of its best officers of every grade. There was a specially heavy loss of officers of the old Royalist and Catholic families of Brittany and Normandy, with whom service on the sea was a tradition for centuries, and who now resigned their commissions. Many of them were replaced by promoting men from the lower deck whose sound Jacobin views were their chief recommendation. The first sea-fight of the war, far out in the Atlantic off Ushant, in the summer of 1794 (known in naval history as the 'Battle of the First of June'), ended in a complete defeat of the Republican fleet. It was the first of a long series of British victories culminating in Nelson's triumph at Trafalgar in 1806.

The command of the sea meant also the control of the trade routes, and the ruin of the sea-borne commerce of France and her allies. It also made England secure from invasion in years when nearly every country of the Continent was the scene of war.

The life of the crews crowded on board of the warships of the time presented a miserable contrast to that of the navies of our day. Discipline was maintained by a cruel code of punishment. The recruiting of the seamen was supplemented by the forcible impressment, nominally of seafaring men, but actually of numbers of landsmen swept up in the evening raids of the press-gangs in the ports and coast towns. The marvel is that with all its drawbacks the naval service during the French wars was anything but unpopular.

In some respects the law and custom of naval war in those days compares favourably with that of the present time. The war against an enemy's commerce did not anywhere include the practice of sinking peaceful merchant craft at sight.

Captured merchant ships, which seldom attempted a fight, were sent into port for an Admiralty court to decide if they were 'good prize of war'. In the case of neutral ships seized when conveying enemy goods, the Admiralty Prize Court condemned only the enemy cargo as 'good prize'. The ship itself was released and freight for the confiscated goods paid to her owners. There was an unwritten law of the sea that forbade interference with fishing craft. Raids on an enemy coast in

order to bombard a peaceful town were all but unknown. Inventors who suggested the use of drifting mines found no encouragement and their devices were described as 'infernal machines'. Bushnell's somewhat rudimentary submarine boat was rejected both by Pitt and Napoleon.

Dundonald's explosion ship that broke the boom at Aix Roads and the fireships sent into the harbour in the hope of burning the French fleet at its anchors seem to have been the last use of the old device of drifting blazing small craft against a hostile fleet. His suggestion of a rather crude kind of 'chemical warfare' was not only rejected by a committee of the English Admiralty and Parliament sitting with closed doors, but care was taken to keep the secret of his plan from public knowledge or record, lest it should be used by some less humane government. It was rejected as unworthy of civilized warfare.¹ It was a project for silencing an enemy's coast and harbour batteries by loosing off from the windward clouds of pitch and sulphur smoke so as to drive the gunners from the batteries or asphyxiating them at their posts. (The progress of research in the nineteenth century enabled a more effective and 'scientific' method of stifling enemies in battle to be adopted on both sides in the Great War in 1915.)

British command of the sea not only preserved England from invasion and gave her a profitable control of the trade routes and easily won colonial conquests, but it also enabled her to play an important part in the long land wars of the French Republic and the Empire. There was a twofold method of intervention in these wars on the Continent. Sea power enabled British armies of comparatively moderate numbers to bring to naught the French conquest of Egypt and to maintain the Bourbon sovereigns in Sicily when all Italy was under French control, and (most important of all) to win Portugal and Spain from the French invaders and finally advance victoriously across the Pyrenees into the south of France.

¹ The plan was again rejected in 1855 (without any details of its working being published), when it was suggested to the Government that it might be used against the forts of Sebastopol.

But there was another form of intervention of a most effective kind that our popular histories of the French wars hardly notice. A traditional phrase describes gold as providing 'the sinews of war'. Until the seventeenth century kings and governments had raised money for war purposes as a supplement to taxation or by pledging the crown jewels or some special source of revenue for small loans repayable at an early date. It was only when the development of banking began that they were able to contract loans secured on the permanently organized taxation of their subjects. In England this new departure began when William III obtained supplies for his wars against Louis XIV from the lately founded Bank of England, and thus the National Debt had its relatively small beginnings. At his death its amount was over £12,000,000. Chiefly as the result of the wars of the eighteenth century, in little more than a hundred years the debt had risen to nearly 228 millions sterling when the conflict with the French Republic began. When the long war with Napoleon ended with the victory of Waterloo and the occupation of Paris and northern France, the debt had been increased by twenty years of war to over 885 millions; these war years thus adding 657 millions to the National Debt.¹ A considerable part of this enormous sum had been expended in supplies for the Spanish and Portuguese during the Peninsular War, and grants to the continental Allies of England—chiefly to Austria and Prussia—to enable them to bring their armies into the field against Napoleon. When the Treaty of Vienna ended the war the British Government of the day made no claim for repayment of this generous aid. Since then more rigid business relations have come into fashion among allies.

With the wars of the French Revolution there began an evolution that made war no longer an incidental phase in

¹ The England of 1815 was well able to shoulder the burden, though many publicists of the time were alarmed at the rapid expansion of the debt. It is interesting to note its more recent developments. At the beginning of the South African War in 1899 it had been reduced to 635 millions. At the close of the war the debt had increased to 798 millions. This had been reduced to 685 when the Great War began in 1914. That war added in just over four years nearly 7,000 millions to the debt, which at the close of the financial year that included the Armistice stood at the colossal figure of 7,481 millions.

national life, but before the close of the nineteenth century made even the years of peace little more than an armed truce, burdened with intensive preparation for coming conflicts, and culminating in the Great War of 1914-18 that inflicted heavier loss of life on the armies in the field and more suffering on millions of the civil population than any previous conflict had involved.

Here only the leading features of this evolution can be briefly noticed. To deal fully with the subject would require a voluminous treatise.

The wars of the eighteenth century were mostly fought by comparatively small armies of professional soldiers, the rank and file recruited by voluntary enlistment and the officers drawn from the noble and wealthier classes. When the old Royal Army of France, disorganized by the Revolution, was remodelled by the new government to meet the stress of invasion, it was at first reinforced by volunteer recruits numbers of whom were attracted by the declaration that rank was now to be the reward of merit even among the sons of the workers. When this source of supply slackened, and the need of recruits became more acute, conscription by ballot was introduced. Henceforth it was a permanent part of the military system of France, and was soon adopted by other continental Powers.

Obligatory service for local home defence with a ballot for the enrolling of recruits had existed in many of the provinces of France, especially in the coast and frontier regions. It was a militia force, not unlike that of the militia in the English counties, and could only be called out for service in some rare emergency. The enforced recruiting by conscription for the regular army, entailing years of service even in war beyond the frontiers, was a novelty, a sacrifice of the citizen's individual liberty, justified by the pressing danger of the State, and at first accepted as a temporary measure. But it became a permanent institution, and under Napoleon I this new tax upon the people became more exacting as the strength of the armies increased in long years of war.

The conscripts of the first wars of the Republic, enrolled for

the defence of the country, might well hope for a brief term of service, but as war succeeded war, men still fit for service were kept under arms, the veterans forming a stiffening element for the new levies of conscripts. There was no reserve in the modern sense of time-expired men returning to civil life but remaining for a few years liable to a recall to the ranks. The modern system of short-service armies and large reserves available on the outbreak of war had its origin in Prussia when Napoleon was at the summit of his power. After the disastrous campaign of Jena in 1806 had all but completely destroyed its old army, Prussia was reduced to the position of a mere tributary ally of the French Empire.

An article of the treaty concluded in the following year provided that the future standing army of Prussia should be limited to 42,000 men. That article, intended permanently to cripple the military forces of Prussia, proved to be the starting-point of her rise into a great military power and ultimately led to the coming of the armies of millions in our own day.

For the intended effect of the treaty was evaded by making the little Prussian army into a short-service force which was to be a training-school for a large army in the near future.

Two exceptionally able officers—Scharnhorst and Gneisenau¹—carried out the new organization. The former devised the scheme; the latter acted as his right-hand man and his successor in the work. Long service for the rank and file was abolished. All able-bodied men from twenty years of age upwards were liable to enlistment by the recruiting committees. The first contingent was composed chiefly of men from the old army. They were quickly passed into the reserve, which was to be

¹ Scharnhorst was the son of a Hanoverian farmer and enlisted in the Hanoverian army, and saw his first active service under the duke of York in the Flanders campaigns against the French Republicans. In 1801 he transferred to the Prussian army and served in the campaign of Jena. He was mortally wounded in 1813 while serving as a staff officer in the 'War of Liberation'. Gneisenau came from Prussian Saxony. He was a son of one of Frederick the Great's generals. He served against the Americans with the German troops lent to England in 1782 and joined the Prussian army as an officer on his return to Europe. He served in the campaigns of Jena and Leipzig, and in the Waterloo campaign was chief of the staff in the Prussian army under Blücher and practically the director of its operations.

called back to the colours only in a future national emergency. They were replaced in the standing army by successive levies of picked recruits. The plan worked so well that less than six years later when, in 1813, Prussia joined the coalition against Napoleon 80,000 men were at once mobilized and by the first days of 1814 the number had risen to 140,000.

After Waterloo Prussia held to the system that had thus enabled her to take the lead in the national uprising of Germany, and Gneisenau and his successors as chiefs of the staff introduced numerous features that added to the efficiency of the army. In the rest of Europe until the Prussian army had proved its strength in the war of 1866 the rest of the continental Powers held to the long-service system, and old-fashioned critics persisted in regarding the Prussian army as little better than a half-trained militia that could not stand up against the veteran long-service troops of Austria, France, and Russia.

Conscription is a much cheaper process than free enlistment for the raising of armies so far as immediate and direct cost is concerned. This was one of the factors that tended to a remarkable numerical growth of armies, first in the military empire of Napoleon, and then in other European States. In the campaigns and battles of the eighteenth century, including those of Frederick the Great, as we have seen, comparatively small armies were engaged. Their numbers were reckoned by tens of thousands. An army of 100,000 men was never set in battle array. In Frederick's greatest battle (measured by the number engaged), Hohenfriedberg (1745), there were about 77,000 men on each side. But in the more famous battle of Rossbach in 1757 there were only 22,000 Prussians against 43,000 French and their German allies.

In the wars of the French Republic and the Napoleonic Empire numbers began to rise, though slowly at first. Napoleon's victory at Marengo, in June 1800, was one of his stepping-stones to empire, and decided the fate of north Italy, but compared to battles of our own day it was a small affair, in which about 28,000 French republican veterans defeated an equal force of Austrians. Six years later, on the day of Jena and

Auerstadt, some 80,000 French troops defeated just over 100,000 Prussians and Saxons. At Wagram in 1809 and Smolensk in 1812 Napoleon put 180,000 men in line and he had 130,000 at Borodino. In the three days' battle of Leipzig in 1813 he opposed an army of 170,000 men to an Allied concentration of over 300,000.

Napoleon himself had said that it was beyond the capacity of any man directly to command an army of 100,000. But at a critical moment in his career, when he was preparing to assume the Imperial Crown, he had introduced into the French army a new system of organization to make this possible by facilitating control and command of the great armies now coming into existence. In previous wars detachments of all arms had been temporarily united by a commander-in-chief into groups under subordinate generals. The new system, soon to be adopted in other great armies, was that of the 'Army Corps'. Hitherto the largest permanent organization, greater than that of a regiment, was the combining of several infantry or cavalry units in brigades.

Fourteen months after the Treaty of Amiens (which had proved to be little better than a truce from March 1802 to May 1803), war had again broken out between France and Britain. Napoleon planned an invasion of England, and in the first winter of the war hut camps were constructed for miles along the coast east and west of Boulogne, and an army of 172,000 men was concentrated. It was organized in six 'Corps d'Armée', each of these army corps being an army of some 30,000 men, complete in infantry, cavalry, and artillery, the infantry being organized in divisions and brigades. This soon became the typical organization of all the armies of Europe. It simplified the direction and control of a great army's operations. General orders need be issued only to six corps commanders. On the move one or more roads were assigned to each corps, and in a single day, with anything like good march discipline, the columns of the army corps could close up and form in the battle line.

In the summer of 1805, on the failure of the French navy to get even temporary command of the Channel, and with the

menace of an Austrian alliance with England, which was arranging and subsidizing a new coalition against Napoleon, the camps on the Channel coast were broken up and the six army corps of the *Armée d'Angleterre*—now changing its name and henceforth to be known as the *Grande Armée*—was reinforced by the Imperial Guard¹ and began its march to the Rhine frontier over 200,000 strong. In two years it marched across central Europe from the Rhine to the Niemen in a career of victory, the great days of which were Austerlitz, Jena, and Friedland. Austria, Prussia, and Russia were defeated, and the Treaty of Tilsit made the French Emperor all but the master of continental Europe.

The actual casualties in battle in these famous campaigns reached high totals of dead and wounded, because such large armies were in action. But it is remarkable that a comparison of battle losses in the wars of Frederick the Great and in those of Napoleon shows that the percentage of casualties was lower in the latter. The general percentage would have been still less but for exceptionally heavy losses in some of the later battles.

The heaviest percentage of loss was in the two days' battle of Aspern-Essling (21st and 22nd May 1809), Napoleon's first failure, when he attempted to cross the Danube below Vienna in presence of the Austro-Hungarian army of the Archduke Charles. There was close hand-to-hand fighting in the villages, and at the end of the battle the French army, short of ammunition and huddled in a small space by the Danube bank, was under the fire of nearly 300 cannon. Of the 90,000 men engaged over 42,000, or just over 40 per cent., were killed or wounded. In many battles casualties were only 10 per cent. or even less. The popular tradition that Napoleon's victories were won by the bayonet charges of massive columns of infantry is misleading. As he himself said: '*L'arme à feu c'est tout, le reste ce n'est rien*' ('The firearm is everything, the rest is nothing'). In his years of victory his battles were won by using massed batteries of guns and the close-range musketry of his

¹ The Guard was itself an army corps complete in infantry, cavalry, and artillery.

first line of infantry to shake the enemy, and then pushing forward the columns of attack that had been waiting close in rear of the fighting line, but, thanks to the short range of fire-arms at the time, all but immune from loss. Except where villages were stormed bayonets were seldom crossed. The enemy already near breaking-point gave way as the column closed upon them, a moving mass of bayonets pushing forward through the battle smoke over the short stretch of ground between the opposing lines. The Swiss soldier, General Jomini, who served on Ney's staff in several campaigns, told in his treatise on *The Art of War* how again and again he had seen what were described in the Emperor's bulletins as positions taken at the bayonet's point captured by a column in which the soldiers marched with shouldered arms, or to use the words of our English drill books arms 'at the slope'.

A thundering charge of cavalry was often a feature of the final attack, but the mounted troops were mostly used to deal with the enemy's horsemen, or ride down unsteady infantry. At Jena Murat's 8,000 horse took no important part in the battle, but as the Prussians gave way they began the pursuit which ended on the Baltic shores and left only a small detachment of the beaten army to reach east Prussia.

These battles of the wars of Napoleon were fought with the same weapons as those of the eighteenth century—the light smooth-bore cannon, a 6- or 12-pounder (throwing a round solid shot, with bags or bundles of bullets—'grape shot'—for close action against an attack), and the flintlock musket, smooth bored and firing a cartridge with an ounce ball effective only at a very short range. The great soldier's influence on war was still more remarkable as the director of his campaigns than in the tactical conduct of his battles. He broke with the indecisive strategy of eighteenth-century leaders and adopted new methods that have become the accepted basis of strategy ever since his time. A close student of military history from his early years, he had grasped the principle that the offensive was the best defence, and that great and rapid results in war are obtained when the plan of campaign leads up to a decisive battle, fought

not to cover a siege or occupy a district, but to encounter and destroy the main field force of the opponent. Armies, therefore, were not to be frittered away on minor enterprises or strung out in the defence of a long frontier and the garrisoning of its fortresses. The true plan was to concentrate every available man and gun for a stroke across the frontier line, directed at the enemy's main army. There were few sieges in his wars. 'Fortresses', he said, 'are captured by victory on the battle field.' When, after his first successes in Italy in 1796, the Paris Directory ordered him to divide his forces, hand over to Kellerman the conduct of the rest of the campaign in the north, and himself seize Rome and Naples, he refused to obey, threatening to resign his command if they insisted on their plan, and pointing out that if the Austrians in the north were defeated the rest of Italy would be at the mercy of France. A divided command and divergent objectives would mean failure, and he held that often 'one bad general was better than two good ones'. He carried his point.

His downfall began in 1812, when, at the height of his power, he divided his forces between two far distant objectives. While attempting to hold Spain against the revolt of its people backed by Wellington's army, he aimed at the conquest of Russia with the greatest army he had yet commanded, an army made up of his own troops and contingents from many tributary nations. A large force commanded by some of his best generals was locked up in Spain, while he was involved in the disastrous invasion of Russia.

The waste of war cannot be measured by merely reckoning up the dead and wounded of the battle-field. The later wars of Napoleon were extremely costly, and his invasion of Russia ended in one of the few instances of the all but complete destruction of a great army—this too under conditions of nightmare horror that no words can adequately describe.

In his earlier campaigns with armies of moderate size, he had tried to 'make war support itself' by levying requisitions and supplies from the districts he traversed or occupied. Later, when he had to rely largely on magazines of supplies in his rear

and lines of communication for his convoys, the old system was still partly in use to supplement and economize this organized commissariat. 'Living on the country' had the drawback that foraging often degenerated into wasteful pillage, and the results obtained were disappointing. His troops were often half starved and numbers broke down under the strain of long marches and bivouacs in bad weather.¹ Scarcity, exposure, and sickness meant crowded hospitals along the line of advance, and after the first few days each week brought its toll of death and disablement.

These losses reached an unparalleled total in the campaign of 1812. The Niemen, the frontier river, was crossed on the 24th June with an army of 363,000 strong. The Russians retreated before it, burning many of their towns and villages as the French approached, destroying local supplies, and fighting only a few delaying battles. On the 15th September, after a march of 675 miles, only 95,000 men reached Moscow. In the last days of October the retreat began, and after a failure to reach a southern route through unwasted country, what was left of the Grande Armée began its tragic retreat over the devastated country through which it had come—country soon covered with deep snow. It could supply little more than water and wood for the bivouac fires. The chief food was obtained by killing off broken-down horses or cutting up those that died. When the Beresina was crossed on the 28th November only about 33,000 men remained in the ranks; these had dwindled to 8,000 struggling along in small detachments when the Niemen was recrossed on the 15th December. The Russian army of pursuit was 120,000 strong at Kaluga, near Moscow, when the French retreat began. Though it had fairly good supplies it suffered terribly from cold and exposure, and when the pursuit ended at Vilna it was only 40,000 strong. So began the downfall of the first French Empire.

¹ De Fezensac, one of Ney's staff in the war of 1805 against Austria, tells (in his *Souvenirs Militaires*) how during the operations about Ulm in mid-October, only three weeks after the Rhine was crossed, the army was suffering from constant shortness of food, long marches in bad weather, and bivouacs in rain and mud. 'At no time', he says, 'except during the campaign of Russia did I suffer so much or see the army in such disorder.'

The next year saw the rising of all Europe against its would-be master and the 'Battle of the Nations' around Leipzig. With the new year of 1814 came the invasion of France, and the first abdication at Fontainebleau. A last effort to reverse the tide of defeat and failure brought the 'Hundred Days' of 1815 and Waterloo. Men who fought on that still-famous field lived to take part in other battles that were, directly or indirectly, the result of the coming of a second French Empire, under another Napoleon, who owed his accession to power to the prestige of the great soldier's name. The armed Europe of later years of the nineteenth century was part of the heritage that the first Napoleon's career of victory left to the world.

CHAPTER IV

FROM WATERLOO TO THE END OF THE FRANCO-PRUSSIAN WAR

1815-1871

Europe after the Congress of Vienna—elements of instability in the new situation—a period of revolutionary movements and little wars—effects of the Paris Revolutions of 1830 and 1848—hopes for peace in the middle years of the nineteenth century—effect of scientific discovery and industrial progress on armaments—coming of rifled weapons and breech-loaders—the Russian wars of 1853-6 the beginning of a new war period—old-world tactics and the new weapons—Florence Nightingale and the reform of the war hospitals—a revolution in naval war begins—the 'floating batteries' and the first armoured sea-going warships—the Italian war of 1859—coming of rifled artillery—organized help for the victims of war—the Red Cross and the Geneva Convention—rivalry of Prussia and France—increase of armies and armaments—the three wars of 1864, 1866, and 1870-1—rise of Germany as a military power under the headship of Prussia—Bismarck's policy—Sadowa—French preparations to challenge the rivalry of Prussia—German organization for war—mobilization as understood by Germany opposed to the confused concentration of the French Imperial army—decisive results of the opening moves in 1870—new battle methods—failure of the untrained French levies after Sedan—results of the war—French and German precautions for the future

AFTER the downfall of Napoleon the Congress of Vienna drew a new map of Europe, and treaties were signed to stabilize international relations and inaugurate an age of peace. But the half-century that followed saw many wars—not,

however, on the scale of the two preceding decades. Despite the general feeling of relief at the ending of a time when war had been almost a normal feature in the life of Europe, and some well-meant efforts to promote international peace, there were not a few conditions that tended to disturb it.

The great Revolution was a recent memory that assumed divergent aspects in the popular mind. For some it was a glorious effort for national freedom; for others an infamous attack upon law, order, and religion that had ended, and could only end, in the despotism of the sword. All over Europe in the official mind efforts for the reform even of flagrant abuses were liable to be branded as revolutionary sedition.

Moderate men on both sides were opposed to violent measures either for the support of law and order or the promotion of reform; but such men always have to risk being regarded as mere theorists or timid time-servers. Militant Liberalism and reactionary Conservatism led to armed strife in many countries, and some of these movements resulted in foreign intervention and international wars.

Other conflicts of the period had their source in the assertion of the right of a people under alien rule to claim its independence as a State. It was no new idea, but perhaps Lord Acton was right in asserting that in its modern form this 'principle of nationality' became a factor in international affairs when Poland was partitioned, for as he puts it, 'thenceforward there was a nation demanding to be united in a State'. Men who had fought in the wars of Napoleon's days found ready employment in the civil strife and insurrectionary movements of these after-years. Some of them played a prominent part in the revolt of Spanish America against the homeland. Others fought for the Greeks against the Turks. When the Tsar took advantage of the Sultan's difficulties to send an army across the Danube, though England was nominally at peace with Turkey a British admiral commanded the combined English, French, and Russian squadrons that destroyed the Turco-Egyptian fleet in the Bay of Navarino.

In 1830 France seized Algiers. On the morrow of this victory

Paris was in revolt and the Revolution was the prelude of a Belgian rising against Holland, of the Poles against Russia, and of a revolt in Italy against Austria. Then came the civil wars in Spain and Portugal, nominally wars of succession, practically wars between the Liberal and Conservative parties. England, under a Whig Cabinet, and France, under the 'Citizen King', favoured the former and, though England and France were at peace with both countries, French and English legions of volunteers fought against Don Carlos in Spain, and a British admiral commanded the Miguelite fleet which destroyed that of Don Pedro in a now all-but-forgotten sea-fight off Cape St. Vincent.

There were wars in India and the Far East. In 1840 France and England were allies in forcibly opening China to trade and 'civilization', and two years later England was fighting again to secure 'fair play' for the Indian opium traffic in Chinese ports. Then England and France were on the verge of conflict, the former supporting the Sultan, the latter his rebellious vassal, Mehemet Ali of Egypt. The Pasha invaded Syria; Admiral Napier with the Mediterranean fleet captured Acre and Sidon and landed a force that occupied the Lebanon and defeated an Egyptian army.

There was another revolution at Paris in 1848, a signal for conflicts in many countries—Italy, Austria, Hungary, and the German lands. When this war storm cleared away there was a brief interlude of peaceful optimism. In England Cobden was predicting that free trade would unite all nations. The first of International Exhibitions in the London of 1851 was described as the herald of a time when the only rivalries between nations would be the friendly contests of industry, science, and the arts of peace. When Louis Napoleon made himself master of France he declared 'his Empire would be Peace', but three years later began the war of France and England against Russia, the first of a series of wars that culminated in the colossal World War, with such developments of armaments, armies, and navies as would have seemed beyond the bounds of possibility to the men of those optimist Victorian days.

The progress of scientific discovery and industrial organiza-

tion made this tremendous expansion of war power possible. The new inventions to facilitate travel and transport by sea and land became available for the concentration and supply of enormous armies. Arms, munitions, and equipment for these ever-increasing armies and navies were provided in abundance by the factory system, the invention of all but automatic machine-tools, and the introduction of chemical processes applied on a vast scale. At the same time the exploration of new productive regions beyond the seas led to rivalry for the control and exploitation of these sources of wealth.

This progress towards the new conditions, under which the resources and energies of all European nations were directed so largely to the growth of armaments, had begun very slowly, and became a dominant element in their life only in the second half of the nineteenth century. In the aspects and methods of war there had been little change in the fifty years from Waterloo to the siege of Sebastopol. For admirals and generals, admiralities and war offices were still very conservative in their ideas and opposed to 'new-fangled' inventions.¹ One important change began in the middle years of the century. The general principle of rifled firearms was known at least as early as the sixteenth century, and in the eighteenth it was adopted in some armies for a few picked battalions of sharp-shooters. But the rifle was not easy to manufacture or keep in order, and it was not until efficiently adjusted machine tools were invented that it could be produced in large numbers. The arming of the British infantry with rifles did not begin till 1851.

Four years earlier the Prussian Army had taken a more advanced step by adopting a breech-loading rifle which, despite some defects, had the advantage of a more rapid fire than the old muzzle-loading weapons.

Conservative critics argued that the 'common soldier' could

¹ The late Sir Alfred Turner used to tell how, when he was a young gunner officer at Dover about 1860, he heard two veteran generals (still on the active list) discussing a battery of Armstrong breech-loading and rifled field guns that had been issued to the garrison for trial. 'What do you think of these new guns?' asked one. 'Well, I don't think we want them,' replied the other. 'We won Waterloo without this kind of thing. *That should be good enough for us.*'

not be trusted with such complex weapons, and that quick firing was not a real gain for he would blaze away his cartridges and run short of them in the first hour of a fight. It took nearly twenty years to convert official and military opinion to such a novel weapon.

When the new period of war began with the Russian advance on the Danube in 1853, except in a few 'rifle battalions' the Tsar's troops were armed with the old smooth-bore musket. All the field artillery of Europe was still made up of short-range smooth-bore cannon. In the Crimean battles of the following year the British and French infantry had the advantage of meeting the Russians with rifle against musket, but the traditions of the past were still so strong that no full advantage was taken of the new weapon's longer range.

On both sides there were officers of rank who had fought in the wars of Napoleon. Raglan, who commanded the British at the Alma, had lost an arm at Waterloo, and Prince Mentschikoff, who commanded the Russians, had been a young officer at Borodino and Leipzig.

In the armies of Crimean days there was no organization to care for the wounded beyond the presence of a few surgeons and their all but untrained orderlies with the regiments. After the first battle at the crossing of the Alma thousands of wounded—British, French, and Russian—lay for two days on the field, collected here and there without shelter and with little help, many dying of wounds, and some of cholera. Then sailors landed from the fleet and with improvised stretchers of oars and canvas began the long task of getting the survivors on board ship. The Russians were sent under flag of truce to Odessa, the Allied wounded to Scutari on the Bosphorus, where some old barracks had been converted into a hospital without any adequate organization or equipment. It soon became a pesthouse where sick and wounded died like flies. Happily a novel feature of the war was the presence of newspaper correspondents, still enjoying uncensored freedom. Howard Russell of *The Times* sent home an account of the terrible situation at Scutari, and the public feeling it evoked led to a party of nurses

being organized and proceeding to Scutari under the command of Florence Nightingale.¹ Herself a trained nurse, she carried through, in the face of much opposition, the reorganization of the hospital, a first step in the general reform of hospital nursing that has made such splendid progress since then. This was one of the few—though indirect—gains of the Crimean War.

There were no sea-fights in this war. In the Baltic the Russian fleet remained in shelter behind the batteries of Cronstad. In the Black Sea, on the eve of the siege of Sebastopol the best of the Tsar's warships were sunk to block the harbour and their guns and crews disembarked to strengthen the land defences. But there was the small beginning of an immense revolution in naval armaments. On the 17th October 1854 the most powerful ships of the Allied fleets attacked the batteries of the harbour mouth, huge granite fortresses with two tiers of heavy guns mounted on their sea fronts. The ships suffered such loss by shells penetrating their oaken sides and bursting in the gun-decks, that the attack was soon abandoned.

Napoleon III—a prince of an inventive turn of mind and able to make costly experiments without previous votes of a parliament—ordered the construction of the four first armoured warships. These were known as 'floating batteries'. Broad-beamed, with rounded bows, flat bottoms, and no keels, and with engines of only 225 h.p., they moved slowly and steered abominably. But they were not meant to lie in a line of battle, but merely to be put in position against shore batteries. They were armoured with 4-inch iron plating, and carried eighteen 50-pounder smooth-bore guns. On the 17th November 1855 three of them attacked the batteries of Kinburn on the Black Sea coast. They anchored and opened fire at 800 yards, and in 85 minutes they silenced and wrecked the shore batteries, themselves suffering trifling damage and the loss of only twelve men killed or wounded. It was the first and last fight of the floating

¹ Florence Nightingale is still rightly remembered and honoured as a national heroine. She had received part of her training in French hospitals served by the Sisters of Charity. When she was organizing her first party of nurses for Scutari she refused all volunteers except those from Catholic convents and one of the very few Anglican sisterhoods then in existence.

batteries, but their easy and complete success made it the beginning of the coming age of armoured navies. After the war the Emperor set his experts to work on designs for sea-going armoured warships. In 1858 the keels of three iron-clad frigates were laid down at Toulon, and next year the first of these, *La Gloire*, was launched.

There was alarm in England at France building sea-going iron-clads that could defy the heaviest of the old wooden-walled battleships—all the more because the French navy had been increasing year by year, and Napoleon had spent 200 million francs in extending the naval station of Cherbourg—completing its huge armed breakwater (the largest in the world), its new forts, its naval dock excavated in the solid rock, with building-slips and graving-docks opening on its 26 acres of sheltered water surface. There was talk of the peril of invasion. The Volunteers were organized, emergency estimates were voted by Parliament, and in the summer of 1859 the keel of the first British iron-clad, the *Warrior*, was laid down. She was launched in 1860. A race of naval armaments between France and England had begun, but France had a good start and held the lead for a while.¹

But the Emperor had no intention of quarrelling with England. He sent his troops to join the British in a war with China that ended in the capture of Peking. He had other plans in view and was preparing to resume the traditional rivalry between France and the Habsburgs for the control of Italy. He had fought as a volunteer in the Italian rising of 1830. He had brought into the alliance against Russia the little northern kingdom of Piedmont (officially 'Sardinia') which had long been foremost in the movement against Austria in Italy. In the later stage of the Crimean War a Piedmontese contingent had joined the western Allies, and this enabled Cavour, the premier of the kingdom, to raise the Italian question at the Congress of Paris in 1856. In the three years that followed Napoleon III and

¹ When, in 1861, a combined British and French squadron seized Vera Cruz (in support of European bondholders' claims on the Mexican Government) the British ships were all 'wooden walls', but the French Admiral's flagship was the iron-clad *Normandie*, the first armoured warship that ever crossed the Atlantic.

Cavour were preparing for war with Austria. Despite repeated protests from Vienna Piedmont increased its army and carried on a well-organized propaganda from Lombardy to Sicily. The French Emperor, while creating his iron-clad navy, was increasing his army and taking a new departure in its armament. The French arsenals and several privately owned steel- and ironworks, such as those of the Creusot Company, were quietly, and almost secretly, turning out shells and guns for the rearmament of the French artillery with long-range rifled cannon.

The war of 1859 in northern Italy brought into the field huge armies such as had not met in battle since the wars of the first Napoleon. In the last battle of the brief campaign, Solferino (24 June 1859), nearly 300,000 men fought through a long summer day on a ten-mile front.¹ The battle tactics were still swayed by traditions of the great Napoleon and the Archduke Charles. On both sides attacks and counter-attacks were made by infantry columns covered by a line of skirmishers. With rifles in action on both sides the losses of these dense formations were heavy. But the French had the immense advantage of bringing their new rifled field artillery into action against the old-fashioned smooth-bore guns of the Austrians. They often engaged the enemy's batteries effectively at ranges that made the contest as safe for themselves as target practice, for the gunfire of their opponents could not reach them.

The casualties of the day were 14,420 killed and wounded on the Allied side, and 13,100 on that of the Austrians—over 27,000 in all. Two nights and two days went by before the last of the wounded received even first aid, and all that lay out on the battle-field had been soaked to the skin by the deluge of rain at the close of the fight. The horrors of this battle-field so

¹ Emperors were the commanders-in-chief on both sides. Napoleon at the head of over 150,000 men (including the Piedmontese contingent of 45,000) and the young Emperor Francis Joseph in command of the Austrian army of many races, 133,000 strong. In all his battles the great Napoleon was in effective personal command, but at Solferino both the imperial commanders-in-chief had to depend almost entirely on the advice of their veteran staffs and the local initiatives of their corps and divisional commanders.

impressed a Swiss civilian spectator, Henri Dunant, that he devoted himself to the organization of the Red Cross movement. The result was the 'Convention for the Amelioration of the Condition of the Wounded in Armies in the Field', signed at Geneva on the 22nd August 1864 by the delegates of twelve governments, and subsequently by practically all the States of the world. The Geneva Convention gave the privilege of neutrality and immunity to all ambulances and military hospitals, to their personnel, and to all inhabitants of a district who cared for the local sick and wounded, and also to houses or other buildings in which these were received. Commanders in the field were to be responsible for the care of the enemy's wounded left in their possession. A red cross on a white ground was to be the distinguishing badge of those caring for the wounded and sick, and was to appear on the flag that marked hospitals and convoys of these victims of the war.

There was no fight to a finish in this war. On the morrow of Solferino Napoleon III offered peace to Austria on condition that Lombardy should be ceded to Piedmont; the offer was accepted. The French Emperor received as his reward from the Turin Government the cession of Savoy and Nice to France, and in the next two years he gave his tacit connivance to the revolutionary movement in Italy, insisting only on Rome and a small adjacent territory being left to the Holy See. In 1861 United Italy (minus Rome and Venice) was proclaimed a kingdom with Florence for its capital.

Napoleon had so abruptly ended the war with Austria not only because he realized that he had still formidable forces opposed to him, but also because Prussia was mobilizing her army, and Berlin had warned Paris that if the advance were carried farther into the territory held by Austria as a member of the German Confederation there would be war on the Rhine frontier.

This menace of intervention—almost unnoticed by public opinion at the time—was the first step in Prussia's progress to the proud position of the greatest military Power in Europe and the head of a new German Empire. It was the prelude to the

three wars of 1864, 1866, and 1870-1. There were other wars in the decade that saw the making of the new German Empire, but it was this series of three wars that played the chief part in militarizing the half-century that followed, converting Europe even in times of peace into something like an armed camp, making war itself more terrible, and leading up to the horrors of the greatest war the world had yet seen.

Prince William, who as Regent of Prussia had ordered the mobilization of 1859, succeeded to the throne in January 1861. Jena and the domination of Germany by the first Napoleon were memories of his boyhood, and he saw a new danger for the immediate future in the warlike policy of the Third Napoleon. The mobilization had given disappointing results, so he directed a thorough reorganization of the army. This was carried out by Von Moltke, who had been Chief of the Prussian General Staff since 1858. The King chose as his chancellor Otto von Bismarck who had already been ambassador at Paris, London, and St. Petersburg. Bismarck's ambition was that Prussia should be the chief Power of a united Germany, and he realized that war might be the instrument of his policy. He had not long been chancellor when he declared that the new Germany would be made not by mere patriotic declamation, but by 'blood and iron'.

The annual levy of recruits for the army was increased and the artillery was rearmed with Krupp's new steel rifled and breech-loading guns. When the Berlin Parliament refused to vote the required increase of taxation the taxes were collected by royal decree. 'You imagine you are in England,' said Bismarck to the Opposition, 'but you are in Prussia. I am not your Secretary of State. I am the Minister of the Prussian King.'

The first of the three wars that made the new Germany was a comparatively small affair. A combined Austrian and Prussian army invaded Denmark to assert a claim that the Duchies of Schleswig and Holstein must be German lands. Bismarck made the fate of the conquered territory a matter of sharp contention between Berlin and Vienna. He was determined

that it must not be another petty State of the Confederation; it was to be a province of Prussia. But the real matter at issue was the question whether the Habsburgs or the Hohenzollerns were to take the lead in Germany. This was decided by the war of 1866.

For months before the open rupture came both parties were preparing for the trial of battle. Austria was securing the support of Hanover, Bavaria, Baden, Saxony, and most of the minor German States. Bismarck was arranging an alliance with Italy against Austria, the reward of which was to be the possession of Venetia.

Measured by time the war of 1866 was one of the briefest in all history—a seven weeks' war. Measured by the numbers engaged it was one of the greatest. Measured by this standard of numbers, Sadowa, its decisive battle, was, next to Leipzig, the greatest battle till then in the records of modern European war. The rapid fire of the Prussian breech-loading rifles and the shell fire of Krupp's new field artillery worked with deadly effect against the muzzle-loading weapons of the Austrian army. But this new development of fire power in battle was only one factor in the success of the victors. This was due in no less degree to the organization and training of the Prussian army and the skill with which Von Moltke planned and directed its operations in the campaign.

He felt certain that, whatever happened in Venetia, the decisive conflict would be with the main Austrian army. But whether the Italians lost or won the first battles they would detain 150,000 Austrian troops in the south. He reckoned that the Prussian army would be ready for action before its opponents. Reinforced by the small Saxon army, which would have to retire before the Prussian advance, the main Austrian field army would be about a quarter of a million strong. Hanover and the south German States that sided with Austria would bring something over 100,000 men into the field. He would detach an army of some 60,000 to deal with them in detail before they could concentrate. This left him about 250,000 men for the main battle. They were assembled in three armies

on the southern border for a converging march against the main enemy force wherever it might concentrate.

War was declared on the 16th June. Von Moltke remained nearly a fortnight in Berlin, keeping in touch with events and directing the advance of the armies by telegraph. Almost on the eve of the decisive battle he went to the front with King William. The Austrians, commanded by Marshal Benedek, had concentrated in Bohemia to join hands with the Saxons and offer battle in the region of the upper Elbe.

By the end of the first fortnight of war the Prussian armies had made their way through the border hills, defeating some enemy detachments. On the 2nd July Benedek had united all his forces on an eight-mile front along a partly entrenched line of heights, with the fortified towns of Königgratz and Josefstadt securing the crossings of the Elbe in his rear. A few miles away to the westward, in his front, the Prussian armies of the right and centre had joined hands. Benedek believed that he had all the enemy forces facing him, but the Prussian Crown Prince's army, 80,000 strong, was a few miles away to the northward on his right flank.

Next day came the decisive battle—the preparatory cannonade of the Prussian artillery, the storming of Sadowa and the other villages held as an advanced line by the Austrians, and then the attack on their main position. The Austrians made an obstinate defence, and the three makers of the new Germany, the King, Bismarck, and Moltke, watched anxiously for the coming of the Crown Prince's army. At last the thunder of its guns was heard, and it struck in on the flank and right rear of the defence. The Austrians streamed back to the bridges of the Elbe, their retreat covered by the gallant charges of their splendid cavalry, while a deluge of Krupp shells rained down on the dense masses of the defeated army.

The Prussians had won their victory at a comparatively small cost—8,874 killed and wounded out of a total of 220,982 in their battle lines, a loss of only 4 per cent. It was a saying of the American Admiral Farragut that 'The best protection against an enemy's fire is the effective fire of our own men'.

The new rapid-firing guns and rifles of the attack had proved their worth. The Austrian army had brought into action 215,134 men and lost 5,793 killed and 17,769 wounded, a total of 23,562—11 per cent. of their numbers. They had left more than 12,000 prisoners in the hands of the victors, and more than 7,000 were reported 'missing'—their total loss was thus over 44,000.

Nine days before, the Austrian army in Venetia had inflicted a crushing defeat on the Italians at Custozza. But Sadowa made it a fruitless success. Austria decided to bring the victorious army of Custozza to protect Vienna, and ceded Venetia to France, which handed it over to the kingdom of Italy.¹

Sadowa was the last battle of the war. An armistice was arranged when the Prussian advance-guard was almost in sight of the entrenched lines that were being prepared for the defence of Vienna. By the treaties that followed Austria withdrew from all direct concern with German affairs. Prussia annexed Hanover, and became the head of a 'North German Confederation', and the southern States—Bavaria, Saxony, Wurttemberg, and Baden—entered into a defensive and offensive alliance with the Prussian kingdom. Their armies and those of the minor northern States were to be reorganized on the Prussian model, and with the expansion of armaments that followed this placed a million combatants at the disposal of the Berlin War Office. A new united Germany was thus formed and Bismarck became a national hero.

What most impressed both military and civilian opinion after the defeat of Austria was the deadly efficiency of the Prussian rifles. All over Europe armies were rearmed with one or other type of breech-loader. It was not till later that it was generally realized that organization had played as great a part as armament in Prussia's victory.

War was now regarded as a dominant element in policy, and men began to look forward to this or that 'inevitable war'.

¹ Before the war ended Austria had won another victory in the south when her fleet in the Adriatic, partly composed of old wooden ships, defeated an Italian iron-clad fleet, far superior in gun-power, which was attacking the island fortress of Lissa off the Dalmatian coast.

In the four years after Sadowa the 'inevitable war' thus forecast by public opinion was to be between the French Empire and the New Germany.

While Prussia was reorganizing her new dominion over the German lands, France was preparing for the coming wager of battle. Steps were taken to form a home defence force that would set free the regular army for campaigns beyond the Rhine. There was to be a Mobile National Guard—mobile in the sense only that its regiments of infantry instead of the mere duty of preserving local order were to be liable for service in any part of France but when the war came it was still in a very rudimentary stage of development. Men had been enrolled and some commissions issued to officers, but the force existed mostly on paper and very few battalions had any training. There was also a scheme for a reserve, but with a long service army it would be many years before it would give any large results. More attention was given to armament. By a strange oversight the artillery was left with only the old muzzle-loading cannon of the 1859 type. But arsenals and factories were busy providing the regular battalions with a new type of breech-loading rifle—the Chassepot—for which a longer range than that of the Prussian needle gun was claimed; and with such secrecy as was possible a new type of machine gun was being manufactured, the Mitrailleuse. It would send out blasts of rifle bullets, and was expected to be a very efficient man-killing machine.

By the summer of 1870 the Emperor imagined the time was ripe for challenging Prussia. He was misled by his war minister, Marshal Leboeuf, assuring him that his army was now ready 'down to the last gaiter button' and by hopes that he would be helped by a revolt of the south German kingdoms, or at least their neutrality, and that Austria would take advantage of a war crisis to avenge Sadowa. In the first days of July 1870 the war clouds gathered rapidly.

Spain had been a republic since 1868 and Spaniards were tired of it. To obviate the chance of a Bourbon restoration, Marshal Prim, practically the Dictator at Madrid, offered on

the 4th July the crown to Prince Leopold of Hohenzollern, a son of the south German and Catholic branch of the royal house of Prussia. The French Government protested that there must be no 'restoration of the Empire of Charles V', and by advice of King William the Prince declined the offer. Not content with this success the French Foreign Office demanded that the King should give a pledge that the candidature would not be renewed at some future date, and the reply came from Berlin that France had received full satisfaction and no pledge of this kind was needed. But the French Government deliberately pressed the matter farther. On the 18th July the French ambassador to Berlin met King William on the public promenade at the health resort of Ems, near Coblenz. There was a perfectly courteous conversation. To Benedetti's expression of a hope that there would be a favourable reply to the latest message from Paris the King replied that the matter was in the hands of his ministers and he preferred not to discuss it. The Paris press published a startling report that the King had publicly insulted the ambassador. Next day in the French Chambers, Grammont, Napoleon's Minister of Foreign Affairs, announced that as the Prussian King had publicly insulted the ambassador of France a declaration of war was on its way to Berlin. The German press was telling another falsehood, sending round a dispatch from Ems stating that Benedetti had insulted the King. Bismarck afterwards told how he had revised the news telegram to make it convey this meaning. So the war began with daring diplomatic lying on both sides, with the purpose of rousing both Frenchmen and Germans to indignation.

The Franco-Prussian War lasted for six and a half months, but one may say that its result was decided in the first few weeks. Failure on one side, success on the other, had begun before the first shots were fired. The English press of the time noted as proof of the readiness of the French army that within a few hours of the declaration of war regiments were being sent off from Paris to the eastern frontier. What really was happening was that they were being hurried off utterly unready for active service, without campaign equipment, and without waiting to

recall officers and men absent on leave or to complete their numbers by men from the depots. It was the beginning of two or three weeks of confused assembling of the army of operations, officially the 'Army of the Rhine'. Numbers of corps, division, and brigade commanders were sent to command formations they had never yet seen with the help of staff officers who were strangers to them, and when they reached the eastern provinces sometimes found it difficult to learn where their commands were, and when they found them sent to head-quarters such telegrams as 'My men have no haversacks or water-bottles', or 'We have no ammunition yet and are short of rations'. Individuals and parties from the depots lost their way. At one great junction some thousands of these wanderers bivouacked near the station, and were left so short of supplies that there was a riot and a provision train was plundered.

In all Europe at the time there was only one army—that of the new Germany—that had a real mobilization system and a railway time-table for its army concentration, kept up to date as new lines were opened and more railway rolling stock provided. The very term mobilization—i.e. making ready to move—was invented in Germany and unknown or misunderstood everywhere else. Mobilization and concentration were two successive operations. Brigades and divisions did not move to the frontier till the reserves had joined their units and each unit was raised to full war strength and provided with complete field equipment.

The French, by the end of July, had concentrated nearly 200,000 men in Lorraine, with the imperial head-quarters at Metz. About 60,000 more (mostly troops from Algeria, with some 6,000 cavalry) were under Marshal MacMahon in Alsace. This force was intended to cross the upper Rhine as the vanguard of an invasion of Germany. The official history of the war of 1870-1, the first volumes of which were issued in the opening years of the present century—one of the most frank and honest war histories ever written—shows that in July the head-quarters at Metz were in a complete fog of ignorance as to what was happening beyond the frontier, and relying only on current rumours and war-time gossip. The Germans were well in-

formed, and their cavalry scouts were riding far into France¹ and bringing back reassuring information that the French were not yet ready for action.

By the end of July the Germans had concentrated 384,000 men in three great masses along the Rhine, with small detachments watching the frontier. In the first days of August the advance began. On the 4th a detachment of MacMahon's army was surprised and defeated at Weissenburg despite the splendid fight the French made against superior numbers. On the 6th, on the French right in Alsace, MacMahon's army was defeated on the hill-sides about Wörth, and began a retreat to Châlons making no attempt to defend the line of the Vosges. On the same day, on the left in Lorraine, the Germans stormed the heights of Forbach, and the French main army began a general retreat on Metz. Then the French staff decided to leave the fortress to be held by its garrison, while the 'Army of the Rhine', now commanded by Marshal Bazaine, would fall back on Châlons to join MacMahon. The two armies of the German centre and right, now united, left a force to watch the eastern front of Metz, crossed the Moselle above the city, and wheeling northward fell upon the flank of the retiring French army on the 16th August. Bazaine had the mistaken idea that the Germans were anxious to cut him off from Metz, though they were actually bent on preventing him from getting away from it. He swung his army back to a line of heights west of the city. Here on the 18th he was attacked in the great battle known to the Germans as that of Gravelotte, and remembered in France as the battle of St. Privat. The French army was defeated and forced back behind the advanced forts of Metz. Here it was blockaded till it was starved into surrender in the following October.

In the last days of August MacMahon had marched from

¹ In the last week of July one of these raiders was a young staff captain, Count Zeppelin (in his later years the famous pioneer of successful airships). With an escort of a few Baden dragoons, he rode across the Alsatian frontier, and spent the night at the village inn of Niederbronn, on what was soon to be the battle-field of Wörth. Next morning the party was surprised by a squadron of French cavalry. Most of the escort were killed, wounded, or captured, but Zeppelin got away and recrossed the border safely, bringing back all the useful information he had collected in the Alsatian villages in his long ride behind the French front.

Châlons with an army raised to 90,000 men by marines from the fleet, drafts from the depots, and troops from the southern and western garrisons. Against his better judgement he had been sent on an all but hopeless attempt to evade the main army of the invaders (now advancing on Paris) by a march along the Belgian border to co-operate with a sortie from Metz and liberate Bazaine's besieged army. His march ended in the disastrous battle of Sedan, where, on the 2nd September, his entire force had to surrender to the Germans. The Emperor was among the prisoners.

Thus, in less than eight weeks, almost the whole of the French regular army was out of action, the greater part of it shut up in Metz, the rest prisoners *en route* for Germany. On the 4th September the Republic was proclaimed in Paris, and on the 20th the Germans began the long siege of the city. Improvised armies were raised in the provinces, but all their efforts to come to the rescue of the besieged capital failed. The war ended with the surrender of Paris in the last week of January 1871.¹ Its results had been virtually decided more than five months earlier on the day of Gravelotte.

The war had an immediate effect on the growth of armaments and the trend of policy in Europe. It was realized that victory depended on something more than mere improvement in weapons. There must be a permanent organization for the all-important opening stage of the campaign. But, more than this, unless the war was a matter of a few weeks, as had happened in 1859 and 1866, there must be reserves sufficient to make good the casualties in battle and the still more serious losses resulting from the continued stress of a long campaign. All this had been supplied by the German organization of short service (under intensive training) and large reserves.

¹ The naval history of the war may be summed up in a few lines. There was only one sea fight, a duel between two gunboats in West Indian waters. Prussia had no navy that could challenge to battle the armoured fleet of France. In July a French fleet blockaded the German North Sea ports, the few old ships of the Prussian navy remaining behind the mine-fields that protected these harbours. After the first French defeats, the blockade was raised and the French navy demobilized, men and guns being landed to reinforce the defence of Paris or join the new armies in the provinces.

At the outset, before the August battles, the Germans had not quite 400,000 men at the front. From the 4th August until the armistice of the following 28th January over a million men crossed the frontier—the precise official total was 1,146,355. But never at any time were there anything like a million men on active service in France. Battle losses and the still heavier daily loss by death, and invaliding due to sickness and hardship, were a tremendous drain on the armies in the field. Not only were all these losses made good from the reserves, but the numbers on active service steadily increased. By the middle of November the total of the invaders had risen from 384,000 to 425,000 men. When the armistice came the total was 630,000 and there were besides 200,000 men under arms in Germany itself.

The French attempt to supply for trained reserves by improvised levies was a failure. The large armies raised after Sedan barely scored a temporary and local success even when opposed by inferior numbers. They were chiefly composed of men who had drilled for a few days and fired five or ten shots on a rifle range.

The record of their battles was almost always that of a success at the outset as the first rush drove in the German advanced posts, then a dead stop as the enemy's resistance strengthened; after this, ill-combined attacks, attempts at flank movements that lost direction or came in too late, finally a general breakdown and a retreat with heavy loss in prisoners and stragglers. There was plenty of good material and abundance of individual gallantry, but this could not compensate for lack of training and for defective staff work. The lesson was obvious, and after the war all the armies of Europe more or less fully adopted German methods of organization and training. Other experiences of the war, especially in its opening weeks, brought important changes in the tactics of the battle-field. In the advance into France the German cavalry did valuable work as a moving screen of mounted men, often twenty miles in front of the armies; but against rapid rifle fire on the battle-field French and German cavalry charges, such as had in earlier wars been battle winners, ended in failure and heavy loss.

These battles also afforded striking proof that, against the fire of the new rifles, infantry could no longer successfully attack in the traditional close order on open ground against unshaken opponents, and that the column of serried ranks bristling with bayonets was becoming as obsolete as the old Greek phalanx of pikemen. At the battle of Rezonville (16th August 1870) a Hanoverian brigade some 4,000 strong attempted an attack in the open, and under French rifle fire lost nearly all its officers (74 out of 95) and more than half its rank and file in less than thirty minutes. Still more terrible was the loss of the Prussian Guard Corps two days later in its attempted advance up the long open slopes in front of St. Privat. It was thought the French were badly shaken and the Guards were sent forward in two massive columns. The storm of bullets that swept down upon them brought them to a dead stop in a quarter of an hour with most of their officers and thousands of their men killed or wounded.¹ After experiences such as these it was realized that there must be new methods for infantry attack. In the later battles of the war the German infantry advanced in successive lines in dispersed or open order.

From the very first the French artillery was handicapped by having to oppose the new Krupp guns with old-fashioned smooth bores, and further by having a battery of the new Mitrailleuses substituted for a battery of artillery in each of its brigades. The new machine gun was a defective weapon, mounted so as to be an easy target for hostile shell fire which completely outranged it. In exceptional cases it proved useful in street fighting in villages. But the tactics of the machine gun were not yet understood and this defective pioneer type of the gun delayed for many years the adoption of machine guns in most armies.

King William of Prussia had been proclaimed 'German Emperor' in the old palace of Versailles on the 18th January 1871, ten days before the armistice. The Treaty of Frankfurt (10th May 1871) annexed to the new empire Alsace and Metz with

¹ The 4th Infantry Brigade of the Guard lost 42 per cent. of its force. Its Rifle Battalion had all its officers and 431 men killed and wounded.

the greater part of Lorraine. Bismarck at first was somewhat doubtful as to these annexations, regarding them as the probable cause of prolonged hostility and a future war with France, but he was overruled by Moltke and the generals. They saw in the possession of Strassburg, with both banks of the Rhine and the line of the Vosges, a new security for the defence of Germany. The 'dragon's teeth' had been sown, but it was forty-three years till the harvest of strife and death was reaped. This lapse of years witnessed an ever-increasing growth of armaments by land and sea, and not one of them was a year of unbroken peace. It was a period of accelerated progress in the exploration and occupation of new countries, and in various parts of the world international rivalries for colonial and territorial expansion and influence led again and again to perilous tension, sometimes ending in armed conflict. It was also a period of many remarkable discoveries in the sphere of scientific research and mechanical invention, and of immense improvements in transport and intercommunication. Not a few of these discoveries and inventions facilitated the manufacture and accumulation of millions of weapons and vast stores of munitions, or in other ways became auxiliaries to warlike operations.

France reorganized her army on the German model, replaced the Chassepot with an improved long range rifle, and rearmed the artillery with Canet and Creusot breech-loading cannon. Arsenals and steel works were busy turning out heavy guns for a gigantic scheme of fortifications. The new eastern frontier was provided with a barrier of four fortresses (Verdun, Toul, Épinal, and Belfort) with intermediate chains of forts. Lille and Maubeuge were fortified to guard the northern frontier. There was an inner group of fortresses that included Rheims, Laon, and Langres, and Paris was defended by a far-flung circle of forts that were intended to secure it even from long range bombardment. The defences of the ports were reconstructed. Year after year millions were spent on this fortification of a whole country.

Moltke was still chief of the German General Staff for seven-
teen years after the war. Under his direction there was nothing

like the immense French work of fortification. Metz and Strassburg were provided with strong circles of advanced forts, and several of the Rhine crossings were less elaborately fortified. But the German Staff counted on attack as the best defence. The railways of the frontier districts and the main lines leading to it were improved and extended. But the chief effort was devoted to the gradual increase of the army and regiments on the frontier were kept nearly at war strength.

CHAPTER V

FROM THE END OF THE FRANCO-PRUSSIAN WAR TO THE OUTBREAK OF THE WORLD WAR

1871-1914

French hopes of a war to reverse the verdict of 1870-1 the chief danger to peace for some years after the annexation of Alsace-Lorraine by Germany—then attention diverted from Europe to colonial enterprises and conquests in Asia and Africa—forward policy of Russia—the war of 1878 in the Balkan lands—Russian conquests in Asia—Turkestan and Siberia—the Siberian railway—‘rail power’ and empire-making—rise of Japan as an ‘expanding’ power—war with China—how Russia obtained possession of Port Arthur—European scramble for territory and ‘spheres of influence’ in China.

The ‘scramble for Africa’—French influence in Egypt—opening of Suez Canal—Ismail’s financial troubles—England in Egypt—loss and recovery of the Sudan—British control of the Nile lands—other British gains in Africa East, South, and West

The French advance in Africa—the borders of Morocco—occupation of Tunis—conquest on the upper Niger—and on the West Coast—Stanley’s exploration of the Congo—Leopold of Belgium—the Congo Company and the Congo Free State—French under Brazza secure the country on the north bank of the lower Congo—subsequent push to Lake Chad—Germany occupies territory in South West Africa and on the East Coast—Portugal raises old claims to Congoland. Berlin Congress of 1884-5, to discuss and conciliate rival claims of European governments in Africa—partition of Africa mapped out.

Italian occupation of Massowah and advance into the Abyssinian border-lands—treaty with Menelik, ostensibly a treaty of alliance—how he discovers he has been tricked into accepting a protectorate—war with Italy—disastrous defeat of Italians at Adowa—the French advance to the upper Nile under Marchand, Fashoda (1898)—France and England on the verge of war—the tension between them gradually replaced by co-operation—grouping and regrouping of the European Powers—alliance of Germany and Austria-Hungary—Italy joins the central Powers—the Triple Alliance—Russian alliance with France—British relations with Germany—rift between the two countries begins with the growth of the new German navy—the critical development of 1904—the *entente cordiale*

of France and England—Japan's victorious war with Russia—Japanese triumphs on land and sea—destruction of the Russian navy—Morocco becomes a centre of international rivalry—England sides with France against Germany—secret treaties and annexation by way of protectorate—the crisis of 1911—first open talk of possible war between England and Germany—the race of naval armaments—coming of the 'Dreadnoughts'—secret naval and military understandings between France and England—situation in the years that immediately preceded the Great War—minor wars of the time—Italy seizes Tripoli—Italian war with Turkey—wars of the Balkan League—increasing armaments in Europe and growth of a war literature—efforts for peace in the opening years of the twentieth century—the Hague Conferences and Conventions—coming of the great 'World War'.

FOR some years after the German annexation of Alsace-Lorraine the rivalry in armaments between France and Germany, and French hopes for a war of revenge and for the liberation of the 'lost provinces', seemed to be the chief danger to peace. But twenty years later a new generation was growing up and less was heard of the hoped-for *revanche*, for Frenchmen were thinking not so much of possible victories on the Rhine, as of the colonial empire that was being won for France in Africa and the Far East.

The period of a little over forty years between the Franco-Prussian War and the outbreak of the World War in 1914 was a time when many of the European nations joined in a prolonged rivalry for the occupation and conquest of such native territories in Africa and Asia as were still left as an attractive prize for colonizers and empire-makers.

In these closing years of the nineteenth century, over the greater part of Europe, public opinion and official policy seemed to be permeated by the idea of territorial expansions as almost a necessary characteristic of national greatness. There was much talk of the mission of the white races to dominate and educate the 'inferior' coloured peoples. In England the popular poet of imperialism called on his fellow countrymen to 'take up the white man's burden' of ruling, protecting, and raising to a higher level 'the lesser breeds without the law'. Even hard-headed business men were inspired with zeal for this lofty enterprise and found for a time its reward in good dividends on investments devoted to its promotion. Excess of zeal led to some troublesome disputes among the diplomatists of great nations

as to their due share in the mission of civilization. There was the further drawback that at times the inferior peoples did not understand the exalted purposes of their white benefactors and offered a resentful opposition to the white heralds of civilization. So there were many little campaigns in which repeating rifles and Maxim guns supplied convincing arguments to dissipate the narrow views of backward tribes and peoples. Victory seemed, indeed, to be a prerogative of the white nations, until at last there came startling warnings that they had no longer the monopoly of the 'arms of civilization'. For in the Far East the Japanese inflicted crushing defeats on the Tsar's armies and fleets, and in Africa Menelek of Abyssinia all but destroyed an Italian army, in successful defiance of the new-comers' claim to 'protect him' and develop the resources of his mountain land.

It was chiefly in Asia and Africa that England, France, and Russia, and later Germany, Italy, and little Belgium, engaged in this rivalry of 'expansion', while in Europe several Powers contended for the inheritance of the 'decaying' Ottoman Empire. During the Franco-German War the Russian Government had announced that it would no longer be bound by the clauses of the Treaty of Paris that forbade the Tsar to maintain a navy in the Black Sea. Sebastopol became once more a fortress, and a new navy yard was established at Nicolaieff on the estuary of the Dniester. The Tsar again posed as the protector of the Orthodox Churches in the Balkans. In 1877-8 Russian intervention in the Turkish Empire led to the creation of the new State of Bulgaria, and the annexation to Russia of Bessarabia in Europe and Kars and North-East Armenia in Asia. In 'compensation' Austria was allowed to occupy Bosnia, and England took possession of Cyprus as a useful naval station in the eastern Mediterranean. The new status of Germany was recognized by the Congress that ratified these 'adjustments' of the Sultan's dominions, being held in Berlin.

But it was in Asia that Russia made the most important forward movement. There were here two lines of advance: (1) from the lands beyond the Caspian Sea into Turkestan and towards India, and (2) from Eastern Siberia, with dominance

over China and the Far East as the ultimate objective. In the former region the Russian frontier, vaguely indicated on the maps, had long been the margin of the wide belt of desert and waste steppes extending eastward from the Caspian. The first push was made through the gap in this desert barrier, where the Amu-Darya (the ancient Oxus) flows to the Aral Sea. Khiva was occupied in 1873. Then a new advance began from the Russian posts on the Caspian by a series of campaigns in which a railway gradually replaced the transport by thousands of camels across the desert belt. Railways were becoming a new factor in conquest. By 1895 Merv, Bokhara, and Samarkand had been occupied. The Russian frontier had reached the borders of Afghanistan, and the problem of British relations with the Amir of Cabul and of the defence of the Indian Empire were complicated by the 'Russian peril'.

In Siberia and the new Pacific Coast Province¹ Russia was developing river traffic, building new cities, and bringing in Cossack colonists, reinforced by annual convoys of political prisoners and exiles. Till the Amur valley was reached the rivers ran mostly south to north, and movement eastward was a slow business. So a great railway was planned as an instrument of development, power-consolidation, and conquest. It would make it possible to maintain large armies in the Far East, where China was reckoned as a 'decaying' empire, soon to be ripe for partition. A great naval base was established at Vladivostok on the Pacific. Moscow was to be linked by 5,000 miles of rails with this new dockyard fortress, whose very name asserted that it was to be the 'Mistress of the East'.

But a new Power had arisen in the Far East that was soon to

¹ The Coast Province had been occupied by the Russians when they abandoned their naval station farther north at Petropavlovsk during the Crimean War. The Pekin Government made a helpless protest, but formally ceded this extensive coast territory to the Tsar in 1861, when, after the flight of the Emperor of China from Pekin on the approach of the allied French and British armies, General Muravieff, the governor of eastern Siberia, acted as the mediator of an armistice with the allies and opened the way to a peaceful settlement. The site of the new city of Vladivostok was then a small fishing village on the splendid landlocked bay that Muravieff selected as the new naval station for the Russian fleet in Far Eastern waters.

challenge this ambitious claim. In the years when Prussia was creating the new Germany there had been a revolution in Japan. The nation that had been for two centuries in isolation entered into relations with Europe and America, and attempted to graft on its ancestral traditions 'the fruits of modern civilization'. Not the least of the changes in the years that followed was the organization of a navy and army on European lines. The men who carried through this break with the feudal past meant that Japan was to be the leading Power in the Far East, but they waited patiently for the time when its forces would be ready to challenge first China and then Russia for the position of 'Mistress of the East'.

It was not till 1894 that rival Chinese and Japanese claims to suzerainty in Korea led to a war, in which the new army and navy of Japan won easy victories over the ill-trained, badly armed, and worse led forces of China. Admiral Ito's fleet of cruisers defeated the Chinese fleet made up of old wooden ships and two small coast-defence iron-clads. The Japanese army drove the Chinese out of Korea and southern Manchuria, and a combined attack by sea and land captured the coast fortresses of Wei-hai-wei in Shantung and the naval base at Port Arthur, which guarded the approach to Peking by the Yellow Sea. In April 1895 the war ended with a treaty which recognized Korea as an 'independent Empire under the protection of Japan', a protectorate soon to end in annexation. China also ceded to Japan Formosa and the chain of islands north of it, and the Liao-Tung Peninsula with the fortress of Port Arthur. Russia, backed up by Germany and France, protested against this cession of Port Arthur, declaring its possession 'by any foreign power' would be a standing menace to Peking that would destroy the independence of China. Japan yielded the point, not being yet ready to challenge a European Power. But the Government at once began preparations for a future conflict with Russia. Cruisers and light craft were built in her home dockyards and battleships by British and American constructors.

The successful protest of the three Powers was still a matter

of recent memory, when it was rumoured that Russia had signed a secret treaty with Peking giving her the right to make a branch-line from the Siberian railway across Manchuria to Port Arthur, install military posts for its protection, and garrison and use as a naval station the fortified port, under a 'lease' of the whole Liao-Tung Peninsula from China. The rumour was first denied and then acknowledged to be based on fact. The treaty was published which gave Russia the position she had declared to be a standing menace to China. It was a glaring instance of the new methods of conquest by railway concessions, leases intended to be perpetual, and secret agreements, coupled with diplomatic mendacity.

Instead of opposing it, other Powers asked for compensatory privileges. Germany had already begun by securing, as compensation for the murder of two of her subjects, the right to occupy Kiao-chau Bay and the adjacent territory in Shantung, and then proceeded to organize a naval station there. France got a lease of Kwang-chau-wan Bay in the south. England, as an offset to the Russian lease of Port Arthur, obtained a lease of the fortified harbour of Wei-hai-wei. Then an Anglo-Russian Convention was signed by which it was recognized that Russia should have a 'sphere of influence' north of the Great Wall of China, and in return England's 'sphere of influence' for railway and trade concessions was to be the immense region of the Yang-tse valley—all central China from the sea to the mountain barriers of Tibet. Throughout all these proceedings the Powers concerned expressed their anxiety for 'the preservation of the integrity of China'—a well-worn diplomatic formula of little practical effect. All these exchanges of notes and friendly arrangements for concessions, leases, conquests by railway-making, and planting garrisons to protect the new enterprises of the business world, were laying the train for coming explosions. In a few years China would revolt against the would-be exploiters of her weakness, and Russia and Japan would be fighting on land and sea for predominance in the Far East.

Meanwhile a scramble for Africa had been in progress. Until

the middle years of the nineteenth century hundreds of thousands of square miles in the Dark Continent were unexplored or little known. Vast regions were still ruled by Negro and Arab chiefs, kings, and sultans. There was almost an entire continent waiting for industrial and commercial development and exploitation, and there was an abundance of native labour to be put to productive work. A continent was ripe for being opened up and civilized on business lines. This might not be an entirely peaceful process. The natives might not always understand that it was intended for their good, and rival governments and trading companies might not only have some trouble with the earlier possessors of the land, but would be not unlikely to have disputes as to the right of 'pegging out claims' in this new field of progress. But if there were to be local wars there was always the consoling argument of James Russell Lowell's American expansionist that:

'Civilization does get forrard
Sometimes on a powder-cart.'

Here one need only attempt in mere outline a record of this opening up of Africa and its partition among the European Powers. But some leading points may be specially noted as among the factors that led up to the Great War of 1914-18.

France, England, Germany, and Italy and Belgium all had their share of this great enterprise of occupation and partition. The first two of these Powers were the pioneers, and in the earlier years of enterprise rival claims and interests twice brought them to the verge of war. French influence had long been predominant in Egypt, and it seemed to be more than ever in the ascendant when, a few months before the Franco-German War, the Suez Canal was opened in the summer of 1869. It was a French enterprise. French capitalists had provided half the capital, the rest of its shares being held by the Khedive. But as it opened a new and shorter way to India it brought Egypt into the sphere of British interests.

Ismail was a man of ambitious ideas and reckless extravagance. He had made himself practically independent of Turkey, as-

sumed the title of Khedive (i.e. Sovereign), raised an army, and launched out on costly schemes of development that could give no result for long years, and while working for a new Egyptian Empire in north-eastern Africa financed his undertakings with loans, often contracted on ruinous terms which at last brought Egypt to the verge of bankruptcy. One of his last expedients for raising money was the sale of his half-share in the Suez Canal to the British Government for not quite four millions sterling. England took the leading part in the diplomatic intervention of the European Powers in the interest of foreign bondholders. In 1879, when he resigned the Khedivate to his son Tewfik, Egypt was under the control of a European commission which received the lion's share of its revenue. An anti-foreign agitation began. Three years later a *coup d'état* made its leader, Arabi Pasha, dictator at Cairo. Anti-foreign riots at Alexandria led to British armed intervention. The Mediterranean fleet silenced the batteries of Alexandria and the city was occupied. The canal was seized and Wolseley's army won the victory of Tel-el-Kebir (13th September 1882) and scattered Arabi's army, and Cairo surrendered to the British vanguard.

It had been declared that the British army had come to free the Khedive from military coercion, and would be withdrawn when reforms were effected and Egypt could again manage its own affairs. No doubt the pledge was given in all sincerity, but England was to be dominant in Egypt for long years to come.

Ismail had occupied the Sudan and pushed his new frontier to the Great Lakes, but when Tel-el-Kebir was fought and Cairo won the Sudan was already ablaze with successful revolt against Egyptian rule. In the next two years most of its territory was in the hands of the insurgents, led by a Dongolese Mollah, who declared that he was the 'Mahdi', the prophet expected to come in the latter days to purify Islam and extend its sway. It was decided that the Sudan must be abandoned to its fate. But in 1884 a British force was sent to save the port of Suakin on the Red Sea coast from falling into the hands of the Mahdists, and General Gordon went to Khartoum, the capital of the lost Sudan,

to bring away the Egyptian garrison and the foreign residents. He found himself besieged there by the insurgents, and an expedition sent up the Nile and across the Bayuda desert to rescue him arrived too late. The Egyptian frontier was withdrawn to its old boundary at the foot of the Cataracts and for twelve years the Sudan became a Mahdist Empire, under the first leader of the revolt and his right-hand man and successor, the Khalifa Abdullahi.

In 1896 the reconquest of the Sudan began. Kitchener's new Egyptian army, trained and led by British officers, and supported by British contingents, broke the Mahdist power, and in the autumn of 1898 won the decisive victory of Omdurman and hoisted the British and Egyptian flags over the ruined palace of Khartoum.

It was announced that Egypt and England would share a 'condominium' of the conquered territories, but obviously the real control must be in the hands of the more powerful partner. The possession of Egypt, the Sudan, and that all-important link in world-communications, the Suez Canal, gave England one of the great key positions in Africa and the Near East. Other large shares in the partition of Africa were secured for the British Empire in this same period and the subsequent years. The East African Chartered Company made a railway from Mombasa to Uganda and the Great Lakes, and thus added another huge tract of country to the Empire. Farther south, at the cost of two native wars, Rhodes and his partners of the South Africa Company won Matebele- and Mashonaland. Rhodes had been one of the pioneers in the development of the richest diamond mines in the world, and had thus become a millionaire, a leader in South African politics, and an empire-maker. Bartle Frere, as governor of Cape Colony, had picked a quarrel with the most powerful native kingdom in the south, and broken the Zulu army, the only formidable native force in South Africa. The Cape Railways were extended through Bechuanaland into the new province of Rhodesia, and the discovery of the rich gold reefs of the Rand brought crowds of English and American gold-seekers into the Transvaal, and at the close of the century

another war, the greatest in which England had engaged since Waterloo, ended in the annexation of the Dutch Republics. In West Africa the native kingdoms of Ashanti and Benin were annexed and Sir George Goldie's Royal Niger Company was opening up the country along the lower river and obtaining the signature of negro kinglets to protectorate treaties.

France secured, as her share in Africa, more than four million square miles of new territory in a solid block extending from the Mediterranean and the Atlantic coast to the Congo. Almost immediately after the Franco-German War there began a south-westerly movement from Algeria along the borders of Morocco, and into the neighbouring oases of the Sahara, cutting across the caravan routes from Morocco to the interior. This was a prelude to future penetration and occupation of Moorish territory. In 1882 Algeria was the base for a push eastward. Tunis was occupied, and the whole Turkish province annexed, the Bey being allowed to reign as a protected tributary of France, which was working out a gradual acquisition of all the lands of classic northern Africa.

Farther south, on the Atlantic coast, from the old French colony of Senegambia there was a push across the low watershed that divides the Senegal river from the upper Niger. There were some twenty years of steady progress with a series of wars against Tuareg chiefs along the south border of the Sahara, and Moslem negro kings and prophets along the great river and in the bush country between it and the coast region. After the occupation of Timbuctoo in 1900 the advance was pushed below the rapids of Say into territories claimed by the British Niger Company. Dahomey had already been conquered and the French linked it up with the movement on the middle Niger.

France and England had been foremost in the 'scramble for Africa'. Germany and Italy were later competitors, and Belgium, which had never aspired to oversea possessions, entered the race thanks to the enterprise of the king, Leopold II (reigned 1865-1909), who in his last years transferred to it nearly a million square miles of central Africa, which he had acquired as the chief promoter of what we would call a 'chartered

company'. Henry M. Stanley, after his so-called discovery of Livingstone in November 1871, combined exploration with journalism and as the envoy of a New York and a London daily paper crossed central Africa, exploring the course of the Congo down to the sea. On his return to London in 1878 he entered into the service of King Leopold and next year went out to Africa as the head of an expedition that was to found the Congo Free State. He had a competitor in Lieutenant Brazza of the French navy, who had done some exploring north of the lower reaches of the Congo. While Stanley was empire-making for King Leopold, Brazza was sent by the French Government on an expedition of exploring and treaty-making with negro chiefs in this borderland of the new State, so the French Congo Territory came into existence—extended later along the northern affluents of the great river as far as Lake Chad.

Germany had meanwhile declared the Atlantic coast north of the Orange river and its hinterland a colony of the Empire, and later secured treaty rights of possession on the Cameroon river and began the occupation of a new territory in East Africa with a port on the Indian Ocean. Portugal was trying to raise old claims to Congoland and to a tract of territory running from the Atlantic to the Indian Ocean. In 1884-5 a congress at Berlin, at which all the Powers interested in Africa were represented, drew a new map of the continent, marking it off into spheres of influence for each and all of them, recognizing the Congo Free State, and refusing Portugal's central African claims. These were rejected on the ground that there had been a long lapse of effective occupation; but the Portuguese possession of Angola on the Atlantic Coast and Mozambique on the Indian Ocean was recognized.

Italy had secured a footing on the coast of the Red Sea in 1885. Taking advantage of the Sudan troubles, the Italians seized Massowah, an Egyptian port that was the most important centre of trade with Abyssinia. They began to establish posts on the western verge of the Abyssinian hill-country. This subsequently involved them in a dispute with Menelek of Shoa when he made himself Emperor of 'Ethiopia'. Friendly relations

were established for a while by a 'Treaty of mutual protection'. France, which possessed already a small outpost at the Red Sea port of Obok, not only supplied Menelek with rifles and quick-firing mountain guns, but also, through a trader, sowed the seed of war between Abyssinia and Italy. It was pointed out to Menelek that the treaty with Italy was not a bond of alliance but of vassalage. In the Amharic version, the only one he could read, it was set forth that he 'might use the good offices of Italy in dealings with foreign powers'; but in the Italian version, which he also signed, it was declared that he was bound to carry on all negotiations through the intermediary of the Italian Foreign Office.

Menelek protested that he had been tricked, and war followed which ended in the utter rout of an Italian army of 10,000 European troops and 15,000 native levies under Italian officers, by Menelek's army, 100,000 strong, at Adowa on the 1st March 1896—the greatest disaster suffered in modern times by a European army in native wars in Africa. Tens of thousands of the victors were warlike hillmen armed only with spear and shield, but thousands had modern rifles, and Menelek's artillery included some of the most recent types of quick-firing cannon. The white races were losing their monopoly of 'the arms of civilization'.

It was the disaster of Adowa that prompted the British Government in the same month of March 1896 to take the first step in the reconquest of the Sudan—the advance of the Anglo-Egyptian army into the Dongola country at the worst season for campaigning on the Upper Nile. It was felt that the news of this victory over a white army might lead to the Mahdists again resuming their hostile activities, and something must therefore be done at once to reassert the prestige of the European soldier in Africa. But in the year before this crisis had arisen a French push for the Upper Nile had begun from the newly occupied French Congo region. After nearly forty years since then there is still much obscurity as to the origin and the earlier progress of this new enterprise. While it was still only heard of in Europe through vague rumours, the British Government had

declared that if these were well founded it would mean that France was engaging in an 'unfriendly action'. A small force of French troops—Senegalese riflemen under French officers and sergeants, with Colonel Marchand in command—had started from the French Congo in order to penetrate into the Mahdist dominions between Khartoum and the Great Lakes and hoist the tricolour at a post on the Upper Nile. Marchand made a march of more than three years through Central Africa. A few days before the advancing Anglo-Egyptian army won its first victory over the Mahdists at Ferkeh (7th June 1896) Marchand was more than half-way across Africa, and had established a post on a tributary of the Upper Nile at Meshra-er-Rek in the Bahr-el-Ghazal region. In two years more he worked his way through wild and difficult country to the long-abandoned Egyptian post on the Nile at Fashoda, some 400 miles south of Khartoum, and hoisted the tricolour and informed the local chiefs of the Shilluk tribes that their country was now French.

He had hardly arrived when Kitchener won his victory at Omdurman and occupied Khartoum. The victorious Sirdar soon appeared at Fashoda with a gunboat flotilla and a force of Egyptian troops and Highlanders, hoisted the Union Jack and the Egyptian flag, and informed him that if he came as an explorer he would be helped to return to France, but there could be no French occupation in the Nile lands. Marchand replied that he must await the orders of his government. Then for some anxious weeks France and England were on the verge of war.¹ Finally the Paris Government gave way, and Marchand, declining the offer of transport down the Nile, completed his march across Africa by making his way through Abyssinia to Obok on the Red Sea.

Though war had been averted, the Fashoda incident added to the strain on the relations between France and England;

¹ Preliminary preparations for war were in progress on both sides. There was a critical day when the British Embassy in Paris sent a cipher message to the British consuls in all the French ports, informing them that in the event of war the French Government would give twenty-four hours of immunity to British ships in port. Their captains were to be privately warned to be ready to make full use of this concession.

but before long England and France were good friends. The closing years of the nineteenth and the opening of the twentieth century saw a grouping and a regrouping of the nations, always in view of a future war, with consequent annual increase of military and naval expenditure. One of the last words of the Emperor William I to his son and successor, the Emperor Frederick, was a reminder that friendship with Russia had long been a tradition of the Hohenzollerns. So long as he was in power Bismarck cultivated this friendship; after the death of Frederick, the young Emperor, William II, was for a while anxious to form an actual alliance between Germany and Russia. But eventually Germany formed an alliance with Austria-Hungary (1879), and a little later Italy joined the combination (1881) and the Triple Alliance came into existence.

Among the many factors that drew Italy into the Alliance was a rivalry with France in North Africa, and the rapid growth of business relations with Germany and central Europe since the completion of the St. Gothard Tunnel in 1880. The Italian Government had given a subsidy of £1,200,000 to the new Alpine railway; Genoa became almost a southern port for Germany. There had been some disappointment in Italy, which had established close business relations with Tunis, and sent many emigrants to the Pashalik, when in 1881 France picked a quarrel with the Bey and practically annexed his territory by taking him under its 'protection'.

France sought a counterpoise for this coalition of central Europe and found it in an alliance with Russia. A commercial treaty was signed (1891), and French capitalists in the years that followed provided many millions for State loans, railway, and other developments in Russia. By 1895 the Republic and the Tsardom were allies. That autumn eighty Russian officers of rank were the guests of France at the autumn manœuvres in the eastern border, where the largest army that had yet taken part in such a display (five complete army corps) represented the repulse of invaders from beyond the Rhine.

It was the growing friendship between France and Russia that led to the large increase of the German army by the enact-

ment of the new military law of 1893. Henceforth German military experts were discussing possible plans for a 'war on two fronts'—on the Rhine and the Vistula—in case of a quarrel with France. England had a long tradition of friendly relations, often even actual alliance, with the Hohenzollerns. British and Prussian troops had fought as comrades and never met as enemies. France had oftener been the opponent than the ally of England. But now, after years of rivalry in Africa, there began to develop a coming alliance between the two 'traditional enemies'.

When William II began his reign there were very cordial relations between London and Berlin. Two years later, when Lord Salisbury's government ceded Heligoland to Germany in return for an abandonment of claims at Zanzibar and in East Africa, the Kaiser announced that the island would be an outpost of Germany's naval power in the North Sea. Little importance was attached to this boast, for at the time the German fleet ranked fourth or fifth among European navies. It was not till some years later that the naval estimates were increased and the Kaiser launched out upon ambitious schemes of construction, on the ground that Germany's growing commerce and colonial expansion required the development of naval power.

The rift between the two countries began to develop into perilous rivalry when the rapid increase of the German Navy seemed to be a race with England for sea power. Looking back on the first years of the present century one realizes to what an extent all over Europe there was a dangerous drift of men's minds towards the idea of organized force as the dominant factor in international affairs. The press and the periodical literature of the time devoted much of its space to military and naval questions, and there was a decided tendency to estimate national greatness on the basis of the fighting strength that could be developed in case of war. Armaments were increasing year by year, and the business was complicated by the continual adaptation of new discoveries and inventions to war purposes. The building of warships and the manufacture of arms and munitions became a vast organized trade. The Triple and the

Dual Alliance had divided all the great Powers of the Continent into two armed camps, and it was a current forecast that sooner or later, and probably before very long, the burden of armed peace would be so unendurable that one or other of the rival leagues would seek to end it by the ordeal of combat.

The year 1904 was a time of important events that deeply influenced the conditions of the coming conflict. In the Far East there was war between Japan and Russia, and in the West England and France ended their long rivalry in Africa by an agreement that recognized Egypt and the Nile lands as the sphere of influence for the former, and in return gave the same recognition to French ambitions in Morocco. Thus began the *entente cordiale* that was soon to ripen into an alliance.

As we have seen, both the opposing Powers in the Far East had long been preparing for this war. The Siberian railway now made it possible to concentrate a great Russian army with the Manchurian branch railway as its immediate line of supply, and a powerful fleet had assembled at Port Arthur with a cruiser squadron at Vladivostok. Admiral Alexeieff, the Tsar's Viceroy in the Far East, had an ill-informed contempt for the Japanese. They had defeated wretched Chinese levies ten years before, but he held that they could not stand up against a European army, and that superior numbers would give the Russian fleet the command of the sea. He adopted a deliberate policy of provocation, and in the first week of February 1904 diplomatic relations were broken off.

As in the earlier war with China, the Japanese struck the first blow without waiting for the formal declaration of war. A squadron of torpedo craft made a surprise attack on the Russian fleet, anchored outside Port Arthur, and temporarily crippled it by seriously damaging four of its best ships. The Japanese poured a huge army into Korea, crossed the Manchurian frontier, and in a series of hard fought battles drove the Russian main army northwards along the railway, and a second army was landed in the Liao-Yang Peninsula to besiege Port Arthur. The Russian fleet, after repairing its damages, made two attempts to put to sea, only to be driven back into

the harbour, where it was blockaded till the high angle shell fire of the besiegers destroyed it at its anchors.

In the autumn a second Russian fleet left Europe in three detachments for the Far East. It included some fine battle-ships just completed and a mixed collection of old and new ships, some of them hopelessly out of date. Coaling difficulties caused long delays in French colonial ports, and while its vanguard was still in a Madagascar harbour Port Arthur surrendered on the New Year's Day of 1905.

In February Marshal Oyama with the main Japanese Army advanced over snow-clad hills and ice-bound rivers to attack the main Russian Army of General Kuropatkin which held an elaborately entrenched position about thirty miles south of Mukden, the old capital of Manchuria. Most of the great battles of earlier wars had been decided between the sunrise and sunset of a single day, but this decisive battle of the war in Manchuria lasted for three weeks (20th February to 10th March 1905). In this battle of Mukden the Russian entrenched front had an extent of over seventy miles. Its flanks were turned by wide sweeping movements on both left and right. There were days when the Japanese were operating on a front of over a hundred miles, an immense system of telegraphs and telephone lines securing the unity of their advance.

Taking the numbers on both sides there were more than half a million men in action. Kuropatkin narrowly escaped a catastrophe like, but far greater than, that of Sedan. In the final phase of the battle, when his main entrenched line had been lost, he had to retreat through Mukden in an ever narrowing space between the two wings of Oyama's victorious army closing upon him like a colossal forceps. In killed, wounded, prisoners, and missing he lost half of his army of over 300,000 men.

The war on land was now utterly lost by Russia. There was just a very remote chance that when Admiral Rojestvensky's fleet reached the Far East it might win a battle and cut the oversea communication with Japan, on which the very existence of their victorious armies in Manchuria depended.

The Russian admiral hoped to secure a base of operations

by reaching the fortified harbour of Vladivostok. On the 27th March he found his progress barred by Togo's fleet near the island of Tsu-shima in the wide water-way between southern Korea and Japan. The battle that followed was the greatest sea-fight the world had yet seen. Between 2 p.m. that day and sunrise next morning, in the fight and pursuit, the Russian fleet was simply destroyed—most of its units burned, sunk, or captured, a few escaping, mostly to surrender in neutral ports. Not one of the Russian battleships or large cruisers survived. This tremendous victory ended the war. The Russians had failed on land and sea. For some 2,000 years the history of war told of success for the forces of Europe in the long series of conflicts with Asia. That great record was ended. The East was at last victorious over the West.

It was in the years that saw the victory of Japan that England's agreement with France not only completed the division of old Europe into two rival groups of Powers, but also accentuated the growing tension between England and Germany. Morocco, the last survivor of the once powerful 'Barbary States', had become a centre of contention between England, France, Spain, and Germany. The Colonial party in France regarded it as destined soon to be, like Tunis, a French 'protectorate'. German capitalists had been creating 'interests' in Morocco by opening trade and investing in land. For England this 'peaceful penetration' aroused fears that the German Kaiser might obtain the 'lease' of a port on the Moorish coast, and there was also a fear that France might establish a naval station uncomfortably near to Gibraltar. So it became a British interest that Spain, which already had some minor African posts near the entrance to the Mediterranean, should have the reversion of the north coast territories in case of a break-up of Morocco.

The Moorish Sultanate was in the unfortunate position of a weak government in an undeveloped country—a government financially embarrassed and hardly able to keep order among its subject tribes. For years to come the ultimate fate of Morocco was foreshadowed by the fact that several foreign Powers were declaring their fixed resolve 'to maintain the integrity of the

State and the independence of the Sultan', and at the same time discussing arrangements for the partition of his territory in case his power should collapse.

Thus the English *entente* of 1904 with France was immediately followed by a joint Franco-Spanish declaration that both Powers were 'firmly attached to the integrity of Morocco'. But at the very same time there was an agreement between France and England (not made public until seven years later) that 'in the event of future contingencies' northern Morocco from the sea to the coast ridges of the Riff country should fall to Spain.

Then began the first tangle in the skein of open and secret diplomacy over the Morocco question. There were inquiries in the Reichstag at Berlin, to which the imperial Chancellor replied, not without a suggestion, that he thought Germany had hardly been courteously treated. He said he had heard of the Anglo-Franco-Spanish agreements on the subject, though they had not been officially communicated to Germany, but he felt that these could not be directed against German interests in the Sultanate; these were very important, and, if need be, steps would be taken to protect them.

No attempt can be here made to give even an adequate outline of the events that followed, though the detailed record of them is full of useful warning of the dangers of men in high station, with the fate of great nations in their hands, pledging the future by hidden 'understandings' and using the platform and the press to promote ill will between the nations over some clash of minor interests, forgetful of the fact that the highest of all national interests is peace and goodwill.

Let us note here only a few salient points in this rivalry over Morocco. In March 1905 the Emperor William, on a yachting holiday, paid a visit to Tangier, rode into the city, and was welcomed by envoys of Sultan Abdul Aziz, to whom he declared that he meant to protect German interests and that he regarded the Sultan of Morocco as *an absolutely independent SOVEREIGN*. This incident led to an outburst of protests in the London and Paris press, and the Kaiser's declaration was described as a provocative challenge. When in the following month the Sultan rejected

a scheme of reforms proposed by France, this was attributed to German encouragement. The Berlin Foreign Office suggested that an International Conference should settle all the questions that had arisen as to Morocco and, though for a while France and England opposed the idea, the Conference at last met at Algeciras.

The declaration of 1906 (known as the 'Act of Algeciras'), in which its conclusions were set forth, was on the face of it a satisfactory and pacific document. It declared that it was based on the principles of the sovereignty and independence of the Moorish Sultan, the integrity of his dominions and equal freedom of trade for all other countries, and ended by setting forth that while all existing treaties between the Powers remained in force, their conditions were invalid if and where they conflicted with the 'Act'.

This looked like a fair and friendly settlement. But in the spring of the next year (1907) a French subject was killed by tribesmen in north-east Morocco. A column from Algeria at once occupied the Udja district to exact retribution. Described as 'temporary', the occupation proved to be permanent. At Casablanca (Dar-el-Beida), on the Atlantic coast, a Franco-Spanish syndicate began to construct what is now a fine harbour. The workmen laid a light railway across a local graveyard and the people attacked and killed several of them. A French warship shelled the old native town, troops were landed, and the town and the adjacent coast region occupied. Then an indemnity of about a quarter of a million sterling was demanded from the embarrassed Moorish Government. There was trouble at Fez, and at the New Year of 1908 Abdul-Aziz resigned the Sultanate to his brother Muley-Hafid, who had joined the malcontents. French financiers provided the new Sultan with a series of loans, secured on Moorish customs and taxation, and before long the Sultan found most of his revenue mortgaged and made some ill-judged attempts to levy new contributions from the tribal chiefs. Meanwhile, French and German diplomatists were discussing arrangements for trade and land rights in Morocco, and Briand—long a man of peace—went as far

as accepting a scheme of Franco-German co-operation which the Chamber of Deputies promptly rejected, and a new Cabinet in favour of a forward policy came into power. Presently Berlin proposed a renunciation of all German economic claims in Morocco, with in return the cession of some French territory in the Congo colony. But then came the crisis of 1911—a notable date—for it was in the summer of that year that there was the first open talk of war between Germany and England.

In the spring of that year there came reports that the tribes about Fez were in revolt against the Sultan's exactions, and his capital was in danger. In May General Moinier marched on Fez with 30,000 men, the tribesmen scattered as the French approached, and the Sultan found himself 'protected' by the occupation of his capital. Alarmed at the progress of their allies the Spaniards sent strong forces to occupy the northern fringe of Morocco, a step that cost them intermittent fighting for with the Riff hill tribes for years to come. The independence of Sultan Muley-Hafid and the integrity of his dominions seemed to be near vanishing point, and from Berlin came a warning that the situation was so changed that Germany might have to resume full freedom of action. It would have been simpler if the Berlin Foreign Office had at once explained that this only meant that, with France taking the lion's share of Morocco, Germany wanted some moderate compensation in the Cameroons.

The excitement increased when it was reported that a German cruiser had appeared in the port of Agadir in south-east Morocco. It was explained in a circular to the Powers from Berlin that she had come to protect some local German traders. The 'cruiser' was really only a small gunboat, the *Panther*, of less than a thousand tons, armed only with two four-inch guns. Her mission to Agadir caused as much excitement as if a battleship squadron had arrived. *The Times*—now under the Harmsworth régime—denounced this 'German menace' and the 'demands' of Berlin. Sir Edward Grey told the German ambassador in London (on the 21st July) that Germany was making 'impossible demands' on France, and England might have to

take action to protect British interests. The ambassador denied that any such demands had been made.¹ But on the evening of the same day, at a city dinner, the Chancellor of the Exchequer declared that Britain must at any hazard hold her place and prestige among the Great Powers, and if she were treated, where her interests were concerned, as of no account, and that if such a situation were forced upon her, he must say that 'peace at that price would be an intolerable humiliation'. *The Times*, next morning, accentuated the speech as a warning to Germany, whose diplomacy seemed to be moving in the dark, 'like Dick Turpin'. The London and Paris press joined in an alarmist chorus. Journalists, pamphleteers, and speech-makers were more bellicose than the diplomatists. The matter was finally settled by Germany recognizing the Franco-Spanish domination of Morocco and receiving an extension of her territory in the Cameroon River Colony.

But the incident had embittered the relations of Germany and England and drawn the latter closer to France, and in these same years of the Moorish disputes the rivalry of England and Germany in naval armaments had been intensified. This was the result of the production by English naval architects of a new type of battleship. The *Dreadnought*, laid down in the autumn of 1905 and completed and commissioned in December 1906, was undoubtedly the most formidable warship in the world. She had a displacement of nearly 18,000 tons, and her turbine-engines, developing 23,000 h.p. on four propeller shafts, gave her a speed of 23 knots. She was armed with ten 12-inch guns mounted in five turrets, so that in the battle-line she could concentrate their fire on an opponent on one side or the other. In a battle-line of such ships there would be, at any selected point, a concentration of fire such as could only be supplied by double the number of ships of earlier types. Her high speed was reckoned on to give the possibility of fighting at a range at which the inferior guns of the older ships would be of little or

¹ The trouble seems to have been accentuated by English politicians and journalists mistranslating the German note to France, and making 'Ce que nous demandons' mean 'What we demand', the plain meaning being only 'What we are asking for'.

no effect. It was said that the coming of this new giant of the battle-line made all existing types of battleships 'obsolete'.

All the great navies adopted the new type and several 'Dreadnoughts' and 'Super-Dreadnoughts' were added to the British and German navies in the next eight years. But England had a good start in this rivalry of Dreadnought construction, and when the Great War began in 1914 Germany had only nine of these giant ships ready, while England had twenty in commission.

The French navy for more than ten years before the beginning of this era of Dreadnoughts had built few first-class ships. A new theory was in fashion in French naval circles. Torpedo craft were built by scores, and the submarine was regarded as the most formidable of coming naval engines of destruction. It was said—as one eminent French naval authority put it—that the torpedo-boat and the submarine would play a decisive part in coming wars, and destroy the big battleships as microbes kill off giants. So millions were spent on small craft and ships for the battle-line were neglected, so that by 1905 the French navy was dangerously weak in battleships and cruisers. There was as yet no formal alliance with England, but the *entente cordiale* was developing into a virtual alliance. At last there came a secret understanding which was not known even to all the members of the British Cabinet. It was an agreement that in case of war between France and Germany the French fleet would be concentrated in the Mediterranean to protect the transfer of the Algerian armies to Europe, while the British fleet would guarantee the French northern coasts from naval attack or blockade by the Germans. The secret of this arrangement was kept until the very eve of the Great War.¹

¹ Those who followed naval news at all closely suspected there must be some kind of agreement between the French and British Admiralties. This was indicated by the reduction of the British Mediterranean fleet, the increase of the French force in the same sea, and the increase of the British force in northern waters. When the Naval Estimates were introduced in the spring of 1914, Opposition speakers complained of 'the abandonment of the Mediterranean' and Sir Edward Grey treated the matter as of no great importance. There was no reply to Lord Charles Beresford when he asked what England was to do for France in return for her fleet looking after British interests in the Mediterranean, and suggested that *ententes* and alliances might prove a very costly business.

There was a further secret result of the *entente*. It was arranged that the British and French head-quarters staffs should confer as to British military aid to France. It is true that it was laid down that this would imply no fixed obligation of English intervention in the event of war, but obviously it meant that such intervention was extremely likely, though it did not, like the naval agreement, make it inevitable. England was to supply an auxiliary force of six infantry divisions and a cavalry division—over 150,000 men, if we include all the necessary subsidiary services of such a force. It was definitely regarded by the French Staff as an element to be included in their plans for a future war.

Nevertheless, in the House of Commons the Government repeatedly denied that there were any engagements pledging England to a war alliance with France. This was literally true, but absolutely misleading. The *entente cordiale* with France (the ally of Russia) had created a second Triple Alliance, in contemplation of a war with the earlier Triple Alliance of Germany, Austria, and Italy. This older combination had, however, some weak points. As early as the first period of the Moroccan complications, Von Buelow, then the German Chancellor, had warned the Kaiser that the Italian alliance could not be relied on. Italy would probably stand neutral but might even be hostile. Russia was also a weak element in the Alliance. Its fleet had been all but completely destroyed in the Japanese War, its railway system was defective, and those who knew Russia well were quite aware that the whole Russian administration was rotten with corruption, and its huge army largely existed on paper only, and had not even the munitions required for a great war. The real brunt of such a conflict would fall upon France and England on the one side and Germany and Austria-Hungary on the other.

England had an ally in the Far East in Japan under a treaty dating from the year before the Russo-Japanese War. The two parties agreed to assist each other in case either was involved in war with more than one opponent. Germany was seeking for support from Turkey, and had obtained a concession for

the construction of a railway through Asia Minor to Baghdad and the Persian Gulf. Turkish officers were attached for training in the German army, and German officers under Marshal von der Goltz were reorganizing the Ottoman army. But the Turkish Empire was in a disturbed state, with an agitation for a new constitution backed by a party in the army, and in the Balkan States there was a movement for a league against the Ottoman Power. The German Government hoped to find an ally in Rumania through its Hohenzollern kings, a hope doomed to disappointment. The coming great war, which was to put to the test this complex system of alliances, *ententes*, and secret understandings, had its prelude in a series of minor wars.

In 1911 Italy sought 'compensation' in North Africa by the seizure of Tripoli and Cyrenaica. This involved her in a war with Turkey in which Rhodes and the adjacent islands were occupied, and there was a blockade of the Dardanelles by the Italian fleet. In the next year Greece, Bulgaria, Serbia, and Montenegro, taking advantage of Turkey's troubles, agreed to sink their mutual quarrels, and in the early autumn, after the harvest, declared war against the Sultan; Adrianople was besieged and captured and the Turkish main army defeated in the field. But the advance of the Allies on Constantinople was brought to a standstill before the entrenched lines of Chataldja. An armistice was arranged, and then Greece and Bulgaria quarrelled over the spoils of victory and while they were fighting out the dispute in a second war the Turks reoccupied Adrianople. Peace in the Balkans was arranged in March 1914, just five months before nearly all Europe plunged into the greatest of wars. Albania became a new State under a German prince, to the disappointment of the Italian party that regarded it as a future possession, and Austria converted her long occupation of Bosnia into an annexation, thus increasing the existing hostility of Serbia.

So the Great War came, not to a peaceful world, but so far as old Europe was concerned to a world of unstable peace disturbed by minor wars, divided into leagues formed in mutual fear and suspicion, with year by year a piling up of armaments

and a tendency to see on every side causes for mutual suspicion. In the press of most countries the 'inevitable war' of the near future was a common subject of discussion. There was an evil war literature that prepared the way for the coming conflict.

It is true that there was at the same time a movement in many lands for peace and mutual goodwill, and efforts were made to diminish the danger of war and if it should come to avert its worst horrors. In August 1898 the Tsar, Nicholas II, had addressed a letter to the Powers represented at his court, proposing an international conference to consider the best means of securing peace among the nations. It assembled at The Hague in the summer of 1900, and in September issued a draft convention which was ratified by all the European nations, the United States, and Japan. Its chief provision was the establishment at The Hague of an international court of arbitration to settle any disputes among the signatory Powers. A second and more important Peace Conference met at The Hague in June 1907 and was in session till the following October. Forty-four States were represented, including most of the nations of Europe, Asia, and America. Its conclusions were summed up in a general declaration and detailed in seventeen conventions, subsequently ratified by the Powers concerned. The chief points these dealt with were: International disputes were to be settled by arbitration (but this was modified and largely nullified by excepting questions involving the independence and honour of the States at variance). Hostilities must not precede the declaration of war. The rights of neutrals were to be respected and interference with neutral trade on the sea limited. Merchant ships were not to be used as armed cruisers, and naval bombardment was only to be employed against 'defended' localities. This term was, however, given a wide interpretation—a 'defended' place was not necessarily a fortress. It might be any place where armed forces were stationed or passing through, or where there were arsenals, or factories, and storehouses of arms and munitions. Airships and aeroplanes as warcraft were still in the future but the discharge of explosives from 'balloons' was forbidden. So also was the use in the open sea of submarine mines

exploded by contact. Provision was made for the extension of the Geneva Convention to naval war by the use of Red Cross hospital ships and transports. The right of citizens to assist in the defence of their country in land war was recognized, but they must be under responsible command and wear, if not uniforms, permanent badges distinguishable at a distance. It was forbidden to make use of 'poison or poisoned weapons' or of any weapon that 'would cause unnecessary suffering'. Many of these admirable provisions were treated as 'scraps of paper' in the years of the Great War.

All honour to those who, in many lands, strove for peace among the nations, and, recognizing that this might be a hope long deferred, sought to rob the wars of coming days of some of their worst horrors and mitigate the lawless effects of strife even on those who held aloof from the conflicts of their day. It was a worthy endeavour that found expression in the legislation of The Hague Conferences, but it came at a time when nearly all the nations of Europe were grouped into rival leagues and devoting no small part of their energies and resources to preparations for war.

The Great War came not quite seven years after the second Hague Conference drew up its resolutions. There has been long debate as to what State and nation, what group of politicians, was responsible for its coming. The debate is not yet closed, but whatever may be the accepted doctrine of future historians, it is not likely that it will be based on the summary judgement set forth in the Treaty of Versailles. The responsibility was widespread. In no one land but in many there had been for years a growth of war mentality in many directions; the voices of platform and press were tainted with that kind of nationalism that degenerates into chauvinism. Many regarded war as the inevitable means of clearing up the tangle of conflicting ambitions and rivalries that were already resulting in secret treaties and understandings, as Alexander's sword cut the Gordian knot. It was this that made the Triple Alliance and the Triple *Entente* in practical reality two great war leagues, and not only led to the devotion of so much of the resources, the intelligence,

and the efforts of the nations to a vast expansion of armaments, but made this accumulation of war power as perilous as if fires were kept smouldering amidst ranges of powder magazines.

There was in many quarters a delusion that if and when the threatened war came it would be of no long duration. It was argued that with the opposing nations organized for war on a grand scale and armed with such effective weapons, there must be an early decision once the armies and navies were on the move. There were even those who suggested that such a brief war even on a gigantic scale must soon 'clear up the situation' and lead to a new settlement, like that of the famous treaties of Westphalia and Vienna, with a reduction of armaments that would relieve the growing burdens that seemed to be making the armed peace of Europe a greater source of loss than war itself.

CHAPTER VI

THE WORLD WAR—1914-18

A war not of armies and navies but of whole peoples—great industries of peace monopolized by war service—problem of food supplies for the civil population—effects of submarine warfare—submarine blockade—mines and mine barriers of the sea—air warfare—its attack on the non-combatants—impossibility of any complete defence—reprisals—poison gas and poison-gas shells—war propaganda and mental poison. How the war began—the outrage of Serajevo fires the train of explosives—divided opinion as to British participation—the secret pledges to France make British intervention inevitable—national feeling in the belligerent countries—opening events of the war—Russia's first stroke—French and German war plans—the 'Battle of the Frontiers'—German successes in west and east—the battle of the Marne—the Aisne—coming of entrenched warfare in France and Belgium—the deadlock—Ypres and the Yser—beginning of the downfall of Russia—Mackensen's victory in Galicia—Austro-German invasion of Poland and Western Russia—Italy joins the Allies—the Carso-Alpine warfare.

Attempts to break the German line in the west—new artillery tactics—Neuve Chapelle and Loos (1915)—the line holds good—German counter-attack at Verdun—the Somme Battles (1916)—the 'tanks'—Rumania joins the Allies—defeat of its armies—fall of Bucharest.

Jutland (1916) the one great naval battle of the war.

Effect of British naval blockade on Germany—counter-effort of the German submarine warfare—it brings America in on the Allied side—importance of the American intervention

The Russian Revolution—collapse of the Russian armies—temporary break-up of the Russian dominions—Bolshevik government makes peace with Germany and Austria.

German withdrawal in France to the Hindenburg line—Allied operations of 1917—Nivelle's plan—the battle of Arras—Nivelle's failure—mutiny of French armies on the Champagne front—British operations in Belgium—Italy—the rout of the Italian right and withdrawal to the Piave—French and British troops sent to Italy—Cambrai—Allied successes in East Africa and Palestine—situation at end of 1917.

Crisis of March 1918—the great German onset in the west—success followed by failure—American armies coming into action—Allied counter-attack begins with Battle of Amiens in August—final break-up of the Central Alliance—victories of Western Allies in Italy, Macedonia and Syria—Turkey, Bulgaria, and Austria ask for peace—Germany opens negotiations—the German Revolution—the armistice of 11 November 1918

THOUSANDS in the crowds that cheered for the coming of war in the first days of August 1914 imagined it would be like the localized wars of the preceding years, with a few great battles fought by those already in the ranks and the first reserves of the national armies. But it would not affect the great masses of the peaceful population. This illusion found its most exaggerated expression in a group of English newspapers that insisted on *Business as usual* being the watchword of the millions at home, and pointed out that the war would give an admirable opportunity for cutting into the enemy's business all the world over.

But it was a war unlike all the wars the world had seen, not merely on account of the numbers that took part in its campaigns and battles, but from the fact that it was a war not of armies and navies but of whole nations. Directly or indirectly the greater part even of the civilian population took its share and endured some of the losses and sufferings it entailed. In the third year of the war Great Britain found itself almost in the position of a besieged city, with its supplies nearing the starvation point. Through the last months of the war Germany was in the same position, with more disastrous results for its civil population.

It was not long before it was realized that with armies of millions in the field all the resources and energies of the non-combatants at home would have to be enlisted in the colossal task of maintaining them and supplying their needs, that peaceful trade and manufacturing industries for the ordinary needs of home-living folk must be largely turned over to the purposes of war, to meet the claims of the armed millions engaged in

actual conflict. Even the immense industrial resources of several of the belligerent nations proved insufficient to meet the demand for arms and munitions and all the other requirements of the armed millions, and neutrals were soon engaged on a gigantic output of war supplies.

Thus through nearly three years of American neutrality the factories of the United States were busy sending munitions to Europe—mostly to England. Watchmaking is a peaceful industry, but in western Switzerland, as orders for watches fell off, thousands of watchmakers found a new employment in turning out the delicate mechanism of shell fuses and gun sights for both the French and the Austro-German artillery. In Britain existing factories were extended and new factories organized, and, in defiance of former trade-union regulations, skilled labour was 'diluted' with many thousands of half-trained workers, women as well as men, who under the supervision of skilled foremen produced vast supplies of shells and other munitions. In the second year of the war the number of filled shells thus produced rose to an average of about 200,000 each week. Twelve months later the weekly average had risen to over a million, and in another year it was over two millions.

Food supplies became a serious problem. England had normally to depend largely on imported food, and the insular position of the country, a source of strength and safety in earlier wars, soon became a source of peril. The navy had from the first asserted its command of the sea, but this was now challenged by new and deadly methods of naval warfare. France had ordered the first submarine for her navy in 1886, and in the following years experimented with various types of this invention. In 1900 the United States Navy adopted the Holland submarine, and a few months later five submarines of the same type were ordered for the British Navy. Germany was slower in this new departure. In 1900 the Berlin Admiralty purchased two Nordenfelt submarines, but it was not till six years later that the German dockyards began to turn out, in fairly large numbers, sea-going submarines of 200 tons and upwards. In the years before the war English attention was so fixed upon the

building of giant battleships and cruisers in the German yards that little attention was paid to what proved to be the more dangerous menace of the 'under-sea' flotillas, until in the seventh week of the war, on the 22nd September 1914, the submarine U.9 sank three British cruisers off the Flanders coast with a loss of 1,200 lives.

The real menace of the submarine was at last recognized when instead of only attacking warships the German submarine war against merchant ships was declared and a submarine blockade was proclaimed in reply to the Allied blockade of German commerce. In the first stage of the War the few German surface cruisers that kept the sea for awhile and engaged in commerce-raiding observed the traditional laws of naval war. They could not send their prizes into port, and therefore sank ships, only after transferring crews and passengers to an earlier prize in which they later sent the prisoners into a neutral harbour. But the sinking of merchant craft with torpedoes from submarines meant the peril of drowning of all on board. It was a new horror of war.

This submarine attack on commerce reached its highest danger point when on the 1st February 1917 a German decree was issued declaring the waters around Great Britain and Ireland and along the coasts of France and the Mediterranean to be 'war zones', in which not only Allied shipping but also neutral merchant craft were to be sunk at sight. Losses of British shipping now rose rapidly. In the first four months of 1917 the German submarines sank 1,116 ships, totalling just over two million tons. More than half this loss fell on those that flew the British flag—507 ships of a total tonnage of 1,186,976. It was said that, in April 1917, of every four ships that put to sea from British ports one was sunk. To avert a panic the Government issued at the time reduced statistics of this terrible loss. Amongst the neutral craft destroyed some flew the American flag, and this brought the United States into the war. The losses began at last to decline when merchant ships were armed, and sailed in convoy under naval escort.

When the losses were rising month by month, it seemed to

those who knew the hard facts of the situation that despite her battle strength on the sea, and her vast armies in West and East, England might be reduced to hopeless failure. There was a menace of famine. Food was rationed and there were queues of ticket holders waiting for their reduced supplies at shop doors and market stalls. Attempts were being made to increase home production; meadows were ploughed up to sow corn, and lawns and gardens were being turned into potato patches. The best service America did by joining the Allies was to send flotillas of torpedo craft and light cruisers to help in the chase of the U-boats and in the convoy campaign.

There was another new danger on the sea in the use of contact mines, not only in anchored barriers of which due notice was given, but also set adrift to be fired by contact in the waters of the Allied coasts. Huge barrier mine-fields were laid on both sides. Such a barrier with only two or three passes guarded the German North Sea coast. In the later stage of the war another barrier of 70,000 mines stretched from Scotland to Norway, closing the northern exit from the North Sea. Every day of wild weather sent some of these anchored mines adrift, and even in the after-war years drifting mines were for a time a peril to navigation, though happily a rare one.

There was a further new feature of these years of conflict in the coming of war in the air on a grand scale. This too was war against non-combatants. Aviation had long meant only gas balloons drifting at the mercy of the wind. Some thirty years before there had been talk of a new engine of war—the 'artillery balloon' to be sent down the wind over a besieged city or coast fortress, with one huge bomb to be loosed off by clock-work when it was over the wide target. In those days the dirigible balloon had been long merely a dream of inventors, and the flying machine upheld and driven by its own power was by most men counted to belong to the sphere of the impossible. But the dirigible balloon and the aeroplane became realities in the twenty years before the war, though this new aviation was still in its tentative beginnings. The war gave it a marvellous forward impulse, for there were boundless financial

resources available for this new conquest of the air, and as for the risk of human life, there was no lack of volunteers for perilous service in the air when millions were facing death on sea and land.

The first and most obvious use of aircraft was for reconnaissance, and this meant some fighting between the air scouts of opposing armies—at first mere skirmishing with rifles and pistols, but soon between aeroplanes armed with machine guns. The Hague Conference of 1907 had banned the dropping of explosives from balloons. But except as anchored look-out stations balloons were now obsolete. In the very first weeks of the War German aircraft dropped a few small bombs on Paris and Antwerp, doing hardly any damage. But heavier bombs were soon in use, and before the end of the war ‘aerial torpedoes’ loaded with a 1,000 lb. of high explosives were adopted for aircraft bombardments.

It was not till the second year of the War that serious air attacks were made on England. The defence against this new enemy was for some time very inefficient. The attacks began on the eastern counties. It was not till a September evening in 1915 that London, for the first time in its history, heard cannon fired in its defence. Attack and defence developed during more than two years of intermittent air attacks. The climax of this activity came in the autumn of 1917, when there were air raids on several nights in a single week. By this time the defence of London had been highly organized. From sunset to dawn the great city and its far-flung suburbs were kept in darkness, no lights on streets or roads and all lights in buildings screened by curtained windows; there was a system of alarms to stop outdoor traffic; refuges appointed for those who were out of doors when the alarm came; fire brigades on the alert, police and volunteer helpers ready to give first aid to casualties; a central directing station to bring the anti-aircraft guns and the mobile air defence into action; searchlights to mark the enemy; a great circle of gun stations far out and another close in, to keep up a barrage of bursting shells or concentrate fire on the enemy, and some 200 aeroplanes ready to attack him in the

air or actually patrolling the lines of approach. There were besides, in the Essex and Kent coast districts, far advanced out-post lines of gun stations with air patrols and listening posts equipped with instruments for detecting the droning buzz of approaching air engines so as to secure early warning of a coming attack.

But even with this elaborate system of defence the result obtained can hardly be described as amounting to a complete success, and this too against relatively small forces in the attack; Zeppelin airships, used in the earlier stages of the air campaign, proved to be too vulnerable, but small flights of swift aeroplanes, manœuvring in a vast region thousands of feet above ground in the dark wilderness of the upper air, were formidable enemies. The numbers in action were usually less than fifty planes. They came mostly in the first part of autumn or winter nights before and after midnight. The defence and the civil populations were never exposed to the strain of a series of attacks repeated all through the long hours of darkness. And though barrage fire and other devices prevented most of the assailants penetrating the lines of defence, it seemed all but impossible to prevent some few of the enemy sweeping over the great city and sending down high explosive bombs and others specially fitted for starting fires. Subsequent air manœuvre tests have taught the same lesson, that in an air attack on a great city, even though the defence is, on the whole, successful, there will inevitably be local loss of life among the civil population and considerable destruction of property.

The casualties in the raids on London were 587 killed and 1,591 wounded, a total of 2,178. These are the official figures, but there is reason to believe that the actual total was somewhat higher, for it seems that in the earlier raids the figures were deliberately minimized, and throughout minor cases of wounds were often not reported. There is no complete record of injuries to property (chiefly by buildings being shattered or set on fire): but these losses were heavy. In one of the earlier raids nearly half a million's worth of property was destroyed. Considering that the attacks were made on a densely populated

region, with some six million inhabitants and a property value reckoned by hundreds of millions, the loss was comparatively moderate: but it was almost entirely inflicted on an unarmed population—men, women, and children, with the sudden and complete ruin of many homes. As for its effect towards any result on the progress of the war—this was not insignificant. For every raid meant stoppage of munition work in a large number of factories, and a large force of aircraft, guns, and troops that would have been useful at the fighting front was kept in England.

One evil result of this air war on non-combatants was that, at an early stage in the air campaign, it was decided that there must be counter-attacks on the civil population of enemy countries as a 'deterrent' reprisal. British and French raiders bombed open towns in many parts of western Germany. Mannheim, on the Upper Rhine, a great manufacturing centre, a city and river port of nearly a quarter of a million inhabitants, had a sad Christmas in 1917, for towards midnight on the eve of the feast of peace and goodwill a British squadron dropped a ton of high-explosive shells upon the city, which had not even a single high-angle gun mounted for its defence.

As for the immediate future, now that the abolition of air bombing of peaceful populations is being discussed, it is well to remember that during the Great War air raids were carried out by comparatively small numbers of aircraft, but in any future wars immense numbers will be available. Moreover, ever since 1918 there have been considerable developments in connexion with poison gas as a war weapon. The projectiles of the raiders in 1914-18 were high explosive bombs and incendiary bombs. A third and more terrible projectile is now available—the gas bomb, carrying a heavy charge of condensed poison gas which, on the rupture of its case, will spread through a large area destroying life of every kind, and penetrating even into every building that can be used as a refuge for the victims of the attack. War preparations now include provision of gas masks for the civil population. Poisoning of wells and streams of drinking water is still regarded—even by so-called barbarous

tribes—as a criminal horror not to be even dreamed of as an expedient in war. But modern civilization has not yet successfully banned the deadlier poisoning of the air.¹

The poison gas shell was one of the inventions of the Great War. There was a general outcry of horror in the Allied countries when the Germans opened the second battle of Ypres, on the 22nd April 1915, by loosing off clouds of poison gas from metal cylinders in their advanced trenches, and this temporarily paralysed the defence. They broke the north front of the Ypres salient with the new terror, before which its French defenders gave way in helpless panic. After protesting that this was a crime against every honourable tradition of civilized warfare, the British army, a few months later, opened the battle of Loos with a discharge of poison gas clouds. After this deadlier gases were prepared on both sides, but it was soon realized that the gas cylinder was a clumsy weapon, not without its dangers for those who used it. At Loos a sudden flaw of the wind sent the gas clouds eddying back into the British lines, putting numbers out of action before they could fire a shot. So the gas shell was invented, carrying its load of condensed poison into the enemy's positions, and thus capable of fouling the air miles away. It was largely used on both sides in the later stages of the War.

When after the outcry of horror that greeted the first use of poison gas by the enemy at Ypres had subsided, and both sides were systematically making it a normal weapon of war, an argument put forward to justify its use was that nations and individuals, when they are fighting for their very existence, may rightly use any means of crippling or destroying the enemy. One might well reply with the old maxim of the medieval schools that he who tries to prove too much proves nothing (*Qui nimium probat nihil probat*). The argument would justify the showering down of deadly microbes on an enemy's camps and cantonments, or the pouring of cholera virus into the

¹ In June 1932 the French Government carried out anti-aircraft manoeuvres in the department of the Pas de Calais, the chief feature in these is the instruction of the civilian population in precautions against loss of life, including the use of gas masks. Similar manoeuvres have since taken place in other countries.

headwaters of streams whose lower course he held.¹ There must be some limit to the mutual destruction of opponents in war, fellow men, holding a common faith at least in God, even if there is no closer bond of essential brotherhood. It cannot be allowed to degenerate into mere savagery, with men seeking to exterminate each other as if they were noxious vermin. It must be sadly admitted that in the long years of the Great War there were some tendencies towards this miserable degeneracy. Poison gas was not its worst horror: there were phases of war propaganda which poisoned men's minds, obscured their judgement, and led many to regard personal hatred of an enemy as the best proof of patriotism.

But hatred was not the cause of the War: it was a by-product of the conflict. One may say indeed that on the eve of the War—in the earlier months of 1914—some signs of the times seemed to point to peace. In Africa the partition of its territories was now stabilized, and in each region thus fixed internal development was proceeding. The Italians were still meeting with opposition in the hinterland of Tripoli, but the quarrel with Turkey had been ended by a peace treaty. There was a period of calm in the Balkan lands. At Constantinople a British admiral was training the Ottoman navy, and a German field-marshal was chief instructor of the Sultan's army, and Germans and Britons met as friends. The question of the Baghdad Railway had been settled by England being promised control of its terminal line to the Persian Gulf. In the early summer a British squadron was welcomed at Kiel; officers and men of the English and German warships fraternized, and when the Kaiser was the guest of the flagship he wore the uniform of his honorary rank as a British admiral and his standard flew on the British

¹ In the years after the War in the press of more than one country, and particularly in the technical press, there were academic discussions as to the possibility of gas warfare developing into the use of bacteria and viruses as methods of attack and defence. No writer (so far as we are aware) actually advocated this, but more than one has suggested that it is not unlikely to be adopted. This is probably why the resolution of the League of Nations, in its Protocol of 17 July 1925, extended the earlier Hague resolution banning the use of 'asphyxiating gases' and all 'similar devices' (a resolution disregarded in the Great War) so as to include in its ban 'all bacteriological methods of warfare'. Thirty-eight States ratified this resolution.

battleship. On the very eve of the War there were arrangements in progress for a meeting in July of delegates from the peace societies of all Europe at Liège.

That friendly conference was not to meet. Amidst all the hopes and dreams of peace the war peril was a grim reality. There were optimists who argued that war on a grand scale in Europe would be such a calamity for all involved in it, so full of disastrous results for victors and vanquished alike, that it was becoming an impossibility. Granted that there were rival leagues of the nations; but these were, after all, defensive alliances that might well prove to be an insurance against war. Explosives and war material were being piled up on a gigantic scale, but surely men who lived amongst powder magazines were, for their own sakes, cautious about handling fire and ready to trample out any dangerous spark.

But the real peril was that this optimism left out of sight the fact that there were men and groups of men who were playing with fire, and a spark that caused a local explosion in some corner of Europe would be all the more dangerous because the existing 'defensive' leagues actually supplied a ready-made train that would fire off the stored explosives in crash after crash of destruction.

In the Balkan lands men had long been used to playing with fire. In Bulgaria there was an association that had often sent out students from Sofia to play at brigandage in holiday time and make victims of Turk and Greek in Macedonia. In Serbia there was a kindred association pledged to work for a 'Greater Serbia' and counting Austrian rule in the southern Slav lands as the national enemy.

It was from this latter danger that the spark came when, on the last Sunday of June 1914, the Archduke Francis Ferdinand, the heir to the crowns of Austria and Hungary, with his Slav wife, the Countess Chotek, were shot dead by desperadoes at Serajevo, in Austria; just a month later Austria had declared war against Serbia and the batteries of Semlin were bombarding Belgrade, while Russia was mobilizing her armies against Austria-Hungary to protect Serbia 'from being overrun by the

Austrian armies'. Germany was mobilizing as the ally of Austria, and France was coming into the quarrel as the ally of Russia. The powder train had been set alight.¹

Italy stood aside from the coming conflict, alleging that her partners in the Triple Alliance were not involved in a 'defensive' war. England had no formal alliance with France, and at first it seemed that she might also stand aside from a quarrel which her government had made strenuous efforts to avert. The Cabinet itself was divided on the subject. The Liberal press was almost solidly united in the view that England should not be involved in this continental War. The Harmsworth press was protesting it would be a disgrace to stand aside, and by the end of the week a group of prominent Conservatives were working to secure intervention by the hesitating Liberal Cabinet. The critical day was the 3rd August. News had arrived that the German Government had asked Belgium for free passage of troops through the narrow gap of the Meuse valley between the Ardennes and the Dutch frontier, and King Albert had refused this. When the House of Commons met that evening the actual news of a German violation of Belgian territory had not arrived, but it was expected. In his statement on the situation the Foreign Secretary, Sir Edward Grey, began by making a literally true, but at the same time misleading, statement that England was not bound by any alliance with either group of the belligerent Powers, and was free from any entangling treaty engagements. But then came the first public revelation of what had long been suspected by many, that England was already informally pledged to stand by France, and that there was an obligation of honour that the British navy would protect the French coasts on the Channel from any attack of the German fleet. England and all the lands of the Empire were thus pledged to a war in advance by secret engagements, and in the coming war years secret diplomacy was still to be at work, long making any peaceful settlement

¹ We need not attempt to unravel here the tangled story of the diplomacy of July 1914. It may, however, be noted that the assassins of Serajevo were Bosnian students, connected with the Serb organization of the Narodna Obrana. They had lately been in Belgrade, and they got their weapons from a Serbian arsenal.

impossible. The mobilization of the fleet had begun the day before, and that of the land forces was arranged for the same evening.

Nominally the House of Commons was asked to decide for peace or war. Actually the decision was already made, and the House had only to ratify it. There were some protests from a group of Liberals who urged there was no need to plunge at once into war. But the news that the Germans were threatening to enter Belgium, whose neutrality was guaranteed by England, supplied a further argument for action. The House supported the Government. An ultimatum sent to Berlin that evening expired at 11 p.m. on the 4th July (midnight by 'mid-European' time of Berlin). As the clocks struck the fatal hour in London cheering crowds hailed the coming of war. Since Waterloo England had not been at war with any European Power, except during the short far away war with Russia in 1854-6, which hardly affected the everyday life of the people at home. No wonder men could not imagine the coming realities of a great war with a powerful neighbouring State. There were confident predictions that it would be a brief victorious fight, for the British navy would annihilate the Kaiser's fleet in a new Trafalgar, and his armies would be crushed between the forces of the western allies and the armed millions of Russia, as iron is flattened out between hammer and anvil.

Not only in England but in other countries there had long been many advocates of the theory that with the huge armies of the time and the deadly efficiency of modern weapons a great war in Europe would be short and sharp with an early decision, and that it might entail in its brief course losses that though large in amount would in the aggregate be less than those of the old wars that had dragged on for years. For many it was a disappointing surprise that Lord Kitchener, on taking over the War Office in London, almost at once issued a scheme for raising and equipping new armies that could hardly be sent to the fighting front till wellnigh a year had gone by.

On both sides men were persuading themselves that they had not sought war, but that it was forced upon them. It was a

matter of honour and patriotism to accept the situation. In war time many are ready to adopt Decatur's maxim, 'My country—right or wrong', but in all the belligerent countries most of those whose thoughts went beyond the sheer excitement of the moment felt that their rulers' quarrel was a just one. For the Russian it was a holy war in defence of a brother Slav nation—for Magyar and Austrian a fight for civilized Europe against Slav aggression—for the German, the Fatherland was defending its existence against a coalition that had ringed it round; for Frenchmen it was a crusade for the liberation of the 'lost provinces'; in England in the first days of the war it was enough to say that it was to save little Belgium from lawless invaders, and that for England the treaty guaranteeing her neutrality was not a mere 'scrap of paper'. In both France and England before long further reasons became more prominent in the press and from the platform it was described as a war to deliver oppressed nationalities, to defend the little peoples, to put an end to the German menace on the sea and Prussian ambition for world power, and finally that it was a 'war to end all war' and bring a reign of peace to the world.

For many it was a disappointment that the British Expeditionary Force was not sent to Belgium, to join hands with King Albert's army. Lord Roberts had actually urged this plan on the Government, as advisable not only as a 'moral gesture' but also on military grounds. But it was now revealed that it had long been settled that the British force was to take its place in the French battle line. Of those who had been sent across the Channel stay-at-home folk in England knew little more than this till three weeks of August had gone by. No press correspondents were with the armies, a censorship bureau had been established in London, and efforts were made not only to conceal any important facts from the enemy, but to give the British public only such news as would maintain a cheerful war spirit. At first it was possible to send out encouraging news. But then there came serious disappointments.

Since the disastrous war with Japan, Russia had been gradually concentrating most of her armies on her European frontiers

and kept many of their units well up to war strength. This made it possible to begin the first advance much sooner than even the most sanguine experts of the western Allies had anticipated. In the first week of August two Russian armies entered east Prussia, and the local German forces suffered several defeats as they withdrew before them. It was predicted that the 'Russian steam roller' would soon crush its way to Berlin. Official news from Belgium told that Liège was holding its own against the invaders, and every skirmish between the advanced detachments of Prussians and Belgians was described as a victory. French raids across the Vosges were assumed to be the opening moves of a triumphant invasion of Alsace. In England there was confident expectation of decisive victory when the main armies advanced against the German invaders.

The first great crisis of the war in the West came in the third week of August. When the main allied advance began the forts of Liège had already been crushed by the fire of the giant siege howitzers of the attack. The Belgian army was in full retreat to Antwerp. Namur was besieged, and on the 20th August the enemy were in Brussels and the armies of the German right were swinging round to invade northern France. Two other armies were in the Belgian Ardennes. On the left three more were in Luxemburg, German Lorraine, and Alsace. Each of their army corps had been duplicated with a second corps of reserve troops. Wellnigh a million combatants were grouped along a front of some 400 miles for the first great stroke.

The French Staff had no idea of awaiting the invasion. For years it had insisted in its official teaching and its army manuals on the offensive. In its text-books hardly a word was said of the defensive or of rearguard actions in retirement. There was absolute confidence that the dashing *élan* of the French infantry, supported by torrents of high explosive shells from the new quick-firing artillery, would carry all before it. Now the German menace was to be met by a whirlwind of vigorous attack all along the front. The plan of campaign was not unlike the linear offensives of eighteenth-century warfare, that strung out armies along a whole frontier with no reserve in hand and no

concentration anywhere of a predominant striking force. Two armies were to operate in German Lorraine and northern Alsace. In the centre two more were to attack the invaders in the Luxemburg and the Ardennes. A fifth army was to cross the lower Sambre and raise the siege of Namur, while on its left the British went forward from Maubeuge towards Brussels, joining hands with an advance of the Belgians from Antwerp.

The result was the series of engagements known in France as the 'Battle of the Frontiers' and in England heard of at the time and since remembered chiefly in connexion with the fighting about Mons. The first contact was on the right, where on the 19th August the French invading German Lorraine found their advance barred by an entrenched position held by the 6th German army under Rupert of Bavaria. Attempts to force a way through barbed wire, under machine-gun fire ended in defeat with heavy loss. In the centre the French held their own at the outset, but centre and left gave way before the superior forces of the German right. The advance on the Sambre was barred in front and menaced in flank and rear by a German push from the Ardennes. Its failure exposed the right flank of the British, who after holding on about Mons on the 23rd August found they were also outflanked by superior forces on their left.

A general retreat of the Allied centre and left began and the enemy came pouring into northern France. Paris was preparing for defence, and the French Government left it for Bordeaux. In the last days of August the Allies were withdrawing south of the Marne. From the Russian front the news was that in east Prussia the war tide had turned, and in a single battle-day Hindenburg had taken 90,000 prisoners. The 'Russian steam roller' was bogged in the Masurian swamps. But in the south the Russians had foiled an Austrian march into Poland, and were invading Galicia.

The war was only beginning; but already even those who had cheered in the cities of East and West for its coming, and the optimists who had talked of a short victorious conflict, were realizing that it was something very different from the little

wars of the past. In all the belligerent nations of the Continent new levies were being called to arms. In England, still free from conscription, men of all classes were crowding to the recruiting offices, coming in even greater numbers when the news from the front was at its darkest, and even the censorship could not camouflage defeat into triumph. On the railways of the war lands the trains that were carrying reinforcements to the battle fronts passed, hour after hour, the Red Cross trains bringing back the human wreckage from the fighting lines. Already in this war of a few weeks there had been a heavier toll of death and disablement than in many of the famous wars that had lasted for years in the historic past. This was the result not only of the enormous numbers engaged, but also of the deadly efficiency of modern scientific armaments.

In the first days of September as the German advance pushed across the Marne, the Allies counter-attacked, aided by a flank movement from Paris against the enemy's right. On the 8th the Germans were in full retreat, with the Allies capturing guns and prisoners from their rearguards. In France and England the battle of the Marne was hailed as a decisive victory.

On the 12th the invaders had recrossed the Aisne, their right on the hills of its north bank, and their line stretching eastward through Champagne, where they had abandoned Rheims. That evening the British halted on the low hills of the south bank facing the bolder heights on the other side of the river, not far from its junction with the Oise. Sir John French's orders for next day are now strange reading. He directed that on the 13th 'the pursuit of the enemy was to be continued'. The river crossings were to be forced and in the evening the British vanguard was to be at Laon, some fifteen miles to the northward. But no Allied troops were to see Laon for four years to come.

The river was crossed, but the British advance was stopped on the slopes and spurs of the heights beyond it. There the enemy doggedly held on to the higher ground. They were digging themselves in, scoring the upper slopes with fire-trenches, with pits for machine guns here and there, lines of barbed wire staked out in front, and heavy artillery coming into action from

behind the crest. It was the beginning of a vast system of field fortification on a scale, till then, never seen in war. It was to make the fighting in France and Belgium for years to come one tremendous siege.

The Battle of the Aisne ended in a deadlock. The heights had become a fortress that could not be rushed. The French tried to turn the barrier by a flank march up the Oise valley, and found themselves faced by a new enemy line extending northwards. Both sides brought up fresh forces to extend these new fronts, and by the end of September the fighting line had its north flank about Arras. Fresh German armies were now pouring into Belgium. In the last week of September Antwerp was attacked. The southern forts were silenced and laid in ruin by the German siege howitzers. The situation became hopeless. The Belgian field army was withdrawn westward to save it from a Sedan, and on the 10th October the besiegers occupied the city.

The British army in France had been moved up from the Aisne front to the north. Fresh troops from England had been landed to cover the Belgian retirement. French divisions were being pushed up to assist in checking a new German raid into northern France. The rescuing moves came just too late to save Lille from capture. In Belgium the enemy occupied Ghent, Bruges, Zeebrugge, and Ostend, while French, Belgians, and British took up a defence line along the river Yser and south-eastward by Ypres to the frontier. Only a little corner of western Belgium was left. As the Allies and the invaders entrenched themselves there grew up roughly parallel fighting fronts extending for more than 400 miles, from the North Sea coast to the Swiss frontier near Belfort.

It was a strange development never known before. There had indeed been instances in early centuries of great nations erecting continuous barriers along a whole frontier, such as the Roman walls across northern England and the barrier of forts and stockades that guarded the imperial frontier between Rhine and Danube against the German tribes, and, most famous of all, the Great Wall of China stretching for 1400 miles over hill

and valley. But here, in the midst of a great war, these two opposing lines of improvised fortifications, begun as mere shelter trenches here and there during the actual battles, grew up into elaborately fortified lines, extending for hundreds of miles, each front with its double or even treble or fourfold line of ditch and rampart, and bristling barriers of spiked wire—in the aggregate thousands of miles of entrenchments. No one had imagined such a possibility, and at the outset no one believed that such extended continuous lines could be held for long.

Even in some of the most important parts of the front these new fortifications had begun with shelter trenches hurriedly marked out to meet the needs of the moment, and deepened and strengthened in the night. Overhead cover began with mere cubholes dug in their sides, but later became elaborate structures that might almost be described as underground barracks with, in some of the German lines, two stories, one below the other. In the later phases of this warren-like warfare they went forty or fifty feet underground; they were fitted with good timber work, stairs, doors, partitions, sleeping bunks, turned out by German factories to standard sizes and railed to the front, and electric power supplied lighting and kept ventilating fans going. The obstructions in front of the trench lines began with mere barbed wire fences and developed into broad belts of wire, of a specially heavy pattern. During the hostile bombardment before an attack, the front trenches were held only by a few look-out men, but before the rush of the attack was through the wire the line was manned by a full garrison hurried up from deep dug-outs.

The opposing fronts were in places close together, with the narrowest stretch of 'no-man's-land' between their barbed wire barriers. In other places they were a mile or more apart. All along the line there was intermittent fighting. There were indeed 'quiet sectors' where for awhile little happened and the mutual worrying almost ceased, or was limited to a few shots fired by 'snipers' or an occasional burst of shell fire from the heavy guns behind the lines. At other places there was hard fighting that rose into a tremendous battle when a thoroughly

organized attempt was made to break the opposing front. Where the fronts were 'lively' there was war not only in the trenches but in the air and underground. Aircraft indulged in bombing raids, but besides this it was part of their regular work to make daily or almost daily photographic surveys of the enemy's works. There were air fights between hostile aircraft, and at various points underground miners were at work pushing out their mining galleries to blow in a part of the enemy's front line. There were places where fighting went on for weeks in costly attempts to secure some commanding point. Such were the long struggles for the bold heights like the Hartmansweilerkopf in the Vosges and the ridge of Notre Dame de Lorette in northern France. There were forest tracts where, with little permanent gain for either side, the fronts swayed backwards and forwards for weeks; such were the Argonne and the woodlands of the Lorraine border. There were other places where the front was never 'quiet' through years of this trench warfare.

On the extreme left of the Allied line the Belgians had made their front fairly safe by opening the sluices of canal and river dams and flooding the low ground. But the next sector of the line, across the undulating ground towards the hills of the Franco-Belgian border, was for years one of the danger points of the line. The old Flemish city of Ypres was its centre point. It had seen many sieges in earlier wars, and though it no longer counted as a fortress part of its old ring of rampart and ditch remained. Behind this there were beautiful churches and the wonderful hall and market house of the cloth guild, one of the finest monuments of the civil architecture of the Middle Ages. All these monuments of the past had survived intact the many sieges of old days, a standing proof that these old wars were not such devastating terrors as the scientific warfare of the twentieth century. But in the three years' contest for the Ypres line, the beautiful city became a mass of ruins, and the human sacrifices of the long struggle rose to hundreds of thousands.

It was by the chance of war that Ypres became the focus of this tremendous war storm. When the British occupied the city in October 1914 it was as a step in an intended forward

movement, and not for a mere closing of the gap between the lower Yser and the frontier hills. Sir John French had misjudged the situation in western Belgium; he had no idea of the strength in which the invaders were collecting in his front; and the 'First Battle' of Ypres began with a clash between an intended advance to Menin and the great effort of the enemy to break through and turn the flank of the new front formed by the French from the Aisne to the Belgian border. The battle was claimed by both sides as a victory. At the price of all but destructive losses,¹ and with the help of the French, the British finally dug themselves in on the curving line that was the beginning of the Ypres salient, but the invaders had won a considerable amount of ground on both sides of the Menin road—this also at the price of a heavy toll of life.

A second attempt was made in the following spring to break the line at Ypres, and opened with the first gas attacks. Once more, after prolonged fighting, the Germans had gained some ground and narrowed the salient, but after this, though the Ypres salient was never a 'quiet front', the German attitude there and all along the line was mainly defensive, with here and there intermittent efforts to gain some ground locally, but with no attacks on the scale of the early Ypres battles until the operations against Verdun in 1916, and after this until the immense assault upon the Allied western front in the spring of 1918.

It was surely a remarkable development of warfare that Germany was able, until the last year of the War, to hold this new frontier, improvised on enemy ground, with its fortified front stretching from the Vosges to the sandhills of North Sea coast, making all her western lands free from invasion, and at

¹ The first battle of Ypres began on 20 October 1914 and lasted nearly a month, ending on 17 November. On both sides the losses were enormous. On 12 November, when the First British Brigade was withdrawn from the line, it had lost nearly all its officers and more than nine-tenths of its rank and file. Its normal strength would be about 5,000 men and 153 officers. Including non-combatants (transport men, &c.), its four battalions, on the evening of the 12th, mustered only these small numbers: 1st Coldstream Guards, 150 rank and file, no officers, and no senior sergeants, 1st Battalion Scots Guards, 1 officer and 69 men; 1st Black Watch, 1 officer and 109 men, 1st Cameron Highlanders, 3 officers and 140 men; a total of only 5 officers and 468 men

the same time carry on a series of campaigns in co-operation with her Austro-Hungarian Allies, that until the final crash came were on the whole marked by brilliant success.

The ruin of Russia began in 1915. The Russian armies had overrun a great part of Galicia, occupied its capital, besieged its chief fortress, and won several of the Carpathian passes. There were confident forecasts that the armies of the Czar would soon be overrunning the plains of Hungary, or making a push through the Moravian gap to menace Vienna itself. Already their advance between the Carpathians and the upper Vistula was a threat to Cracow. But Russia was feeling the stress of a blockade, less effective indeed than the Allied blockade that was the ultimate ruin of Germany's power, but nevertheless a very serious handicap.

Those who were predicting that Russia's successes would be the prelude to new victories in the summer of 1915 did not realize how critical was her position. The Russian factory system was very defective, and there had long been a tradition that it was good business to make every deal with a wealthy government a source of very unofficial profits. At the outset of the War, munition supplies and reserves of arms were at a low ebb. Outside supplies were badly needed. But the Baltic was commanded by the German cruisers; the White Sea, closed by ice during half the year, and with only one poor single-line railway track to Petrograd, was of little use as a line of supply. Turkey had joined the Central Powers in the second month of the War, and closed the Dardanelles both to Russian exports and any supplies of munitions. By the early spring of 1915 the Russian armies were not only short of shells for their artillery, but also of cartridges and even rifles for the infantry. There were regiments on the Galician front that had arms only for the front rank men. But Allied fleets and armies, French and English, had been preparing to force the Dardanelles. Despite heroic efforts this enterprise was soon brought to a standstill and ended in failure. Meanwhile Germany had used her fine railway system to concentrate secretly on the Galician front, east of Cracow, a picked force under General Mackensen. On

the 28th April, after a bombardment that shattered the Russian entrenchments on the Donajec river, he drove back their defenders, and then, by a rapid advance eastward, cleared Galicia of the invaders. Converging German and Austrian attacks on Russian Poland followed. On the 5th August the Austro-Germans were in Warsaw. By the autumn the invaders had reached Pinsk, and their front in Russia ran from the Baltic shores near Riga to the eastern Carpathians. Bulgaria joined the Central Allies, and Serbia was overrun by Austro-Germans from the North, and Bulgars from the south. Salonika was saved by the Western Allies abandoning the Dardanelles expedition and occupying the city and the adjacent district with the troops thus set free.

Italy came into the war in May 1915, her entry completing the hostile circle round the Central Powers. Austria had tried to purchase Italian neutrality by liberal concessions, but was outbid by the Allies with promises of all the south Tyrol, Austrian ports and lands on the Adriatic, and a share in future Allied acquisitions in Asia and Africa, with a loan of 50 millions sterling from London.

The conflict between Austria and Italy was characterized by aspects new to war. It was a fight for the Alpine frontier of the north, and its novel features were the outcome of industrial and scientific progress in the preceding years, and also of more than half a century of development in mountaineering craft as a holiday sport. There was scouting and skirmishing on skis above the snow line, and much daring rock and glacier climbing with rope and ice-axe. The Italians of the north had done in the years of peace much highly skilled work in mountain tunnelling and road making. They were now entrenching and establishing advanced posts on Alpine spurs and precipices, not by digging with pick and spade, but by quarrying and blasting hard rock. Once these series of the mountain positions were established, the communication trenches of war in the plains were often replaced by zigzag ascents on the rocks, or by air-lines of wire cables by which reliefs and supplies were sent up and wounded men brought down in cradles hung on the

wire. The working of these air-lines on the Italian front depended on the power stations of the Alpine valleys, and these had normally to provide for the lighting of towns and cities in northern Italy, traction on tram and railway lines, and driving power for the factories. When the Austrians gained some ground in a push in the centre, besides the strategic peril, there was always danger of the loss of light and power paralysing the life and industry of wide regions in the northern plain.

The Austrian defence line ran along the southern slopes and spurs of the Alps, inside the border line, and the war began with a withdrawal of the frontier guards to their battle positions. The Italian occupation of the fringe of territory thus evacuated was claimed as a first victory. The main attack was on the extreme eastern part of the front, where the Austrians held a natural fortress, the Carso plateau, a tract of wild rocky country between the Julian Alps and the sea. Here the fighting dragged on month after month with, for the attack, only slow and costly gains of ground. The fortified town of Gorizia was not taken till August 1916, though the first shots had been fired fifteen months before. Cadorna had hoped to be in possession of Trieste in the first weeks of the war. But after more than a year of hard fighting only the western fringes of the Carso had been won, and for all practical purposes the Austrian line on the Italian front was intact.

During all these months on the main western war front, in the fairly level lands of Flanders and Artois, Picardy and Champagne, the deadlock was as complete as in the mountain region of the Austro-Italian borderland. Attempt after attempt to break through the German front gave the same disappointing results. At the outset of the operation some of the enemy's advanced trenches, wrecked by the preparatory bombardment, would be rushed, and this would be reported as a victory, but the enemy's second line held, and became the starting-point of vigorous counter-attacks, and at last the effort would end with the line unbroken and only a minor change in the outline of the opposing fronts at the point of contact.

It was only possible to make one or two such attempts in

any given year, for a long preparation was necessary. There was the accumulation of immense supplies of ammunition and a huge concentration of guns for the preliminary bombardment, and assembling of all available mounted troops—cavalry and horse artillery—to be held in readiness for a push through the hoped-for gap in the hostile barrier. They were to be the vanguard of a dash into open country, where they would raid the enemy's lines of supply and retreat, as the flanks of his broken line gave way. The piling up of the ammunition dumps was itself a gigantic operation. At the first serious attempt of 1915, the attack on a three miles front at Neuve Chapelle, more than 200,000 shells of all calibres were expended—a larger quantity than that which was used up in the two and a half years of the South African War.

Neuve Chapelle was notable as the first battle in which a new development of artillery tactics was tried in support of the attack. As the infantry advanced, there was a hurricane of shells flying over their heads and descending on the enemy front in a 'barrage', a zone of explosions. As the attack reached the trench, the gunners lengthened the range to bring the barrage down on the village of Neuve Chapelle¹ and the enemy's communication trenches between the first and second line.

The idea of supporting the attack with a moving shell-barrage became highly developed. For months after it was a feature of all attack plans. Time-tables and special maps were drawn up and issued showing how and at what precise times the curtain of fire and explosions would descend first on the German front, and then before each onward move of the attack. It was impressed on officers and men that they must keep as close as possible to the barrage line of descent, even at the cost of loss

¹ Neuve Chapelle was reduced to a mass of ruins, and the beautiful village church was a roofless wreck, with its churchyard cratered by the shell-fire, so that graves lay open and coffins and dead bodies strewed the enclosure. Here, as in many other scenes of battle on the western front, there was a strange exception to the general ruin. It might have been the mere result of chance, but to many who saw it, it seemed perhaps to have a higher significance. In the shell-torn churchyard and amid the ruined houses at the village cross roads, two great crucifixes remained erect and intact despite the rain of high explosive shells that had destroyed all else.

from the supporting fire of their own guns—a somewhat ghastly outcome of scientific warfare.

In the following September there were simultaneous attacks on the enemy line on a greater scale by the French in Champagne and the British in Artois. It was hoped that there would be converging breaks through the invaders' front, the French pushing northward and the British eastward. In Champagne the French broke through the first line but were held up by the second. The British attack was a repetition of Neuve Chapelle on a larger scale. On the first day, the 25th September, the little mining town of Loos and other points in the enemy's front line were taken, but though the Germans on this day were defending a long front with only one division against seven in the attack, they held their second line. Then reinforcements reached both sides, and after some days of hard fighting the battle died down into trench fighting with the barrier still unbroken. On the British side more than 70,000 casualties were the price of the attempt.

It was agreed by France and England that any further attempts on a large scale should be deferred till the summer of 1916, in order to give ample time for organizing the striking force. But early in the new year the Germans assumed the offensive in France. In the winter Von Falkenhayn, the German chief of the staff, submitted the project for this new departure to the Kaiser. He argued that with the Austro-Italian front secure, and the Central Powers dominant in the Balkan lands, and with their front pushed far into Russia, the time was come for a renewed offensive in the west. He proposed as the objective the salient of the French line about Verdun, and argued that if this all-important point were attacked in force, the French would have to bring every available man to its defence, and persistent attacks would 'bleed the French army to death'.

The rapid destruction of the forts of Liège, Namur, Maubeuge, and Antwerp in the first months of the war had shaken the trust in the older type of fortification, and the defence of Verdun depended chiefly on a still very incomplete trench system. On the 21st February 1916 the German bombardment

of these works on the north side began from masses of artillery crowded together on a curving front of some 15 miles, and for some days the attack gained ground. Only one line of supply and reinforcement was open for the defence—a road and light railway. Troops were poured in to make good the heavy wastage of life. To set free men for Verdun the British brought several divisions across Channel and took over the line as far as the Somme. The Russians made hurriedly improvised attacks on the eastern front in the hope of drawing German divisions from the west. At a terrible cost of life the defence held good, and the German progress of the first weeks slowed down. But Verdun was in deadly peril. It was at last saved in the summer when the Allied offensive on the Somme front began, and the enemy had to divert large forces from the Verdun front to meet it.

The Battle of the Somme—really a series of battles lasting for months—began on the 1st July after several days and nights of preliminary bombardment by the most tremendous concentration of gun power yet seen in war. The roar of cannon was heard in Belgian cities like a far off thunderstorm.¹ The front chosen for the attack was a little more than twenty miles east of Amiens, where the enemy's line crossed the Somme, and formed a curving salient for some miles north of it. The ground held by the Germans was a chalk upland dividing the Somme valley from the upper course of the Scheldt. East of it lay the lower land across which the British had retreated in August 1914, from Mons to St. Quentin. The upland was a series of round-topped swells of the ground, with many villages, farmsteads, and clumps of wood. The Germans had held it for nearly two years, and had elaborately fortified it. Along its west and south margins there were two broad belts of trenches and barbed wire, with an interval of from one to two miles between them. Huge dug-outs had been excavated in the chalk, and villages and woods had been converted into strong points. When, after weeks of fighting, these lines were forced, others had grown up

¹ In the twilight of the summer mornings it was heard as a low murmur, sometimes rising into a patter of sharper sounds, by listeners on the Sussex and Surrey downs, and even in some places on the southern outskirts of London.

behind them. There were months of continuous fighting, a combination of siege and battle, rising at times into the tremendous conflict of attack and counter-attack between forces that in earlier wars would have ranked as great armies.

The drain of Verdun made it only possible for the French to help with a subsidiary attack on the right, while the British made the main attack on a front of fourteen miles. In the detailed scheme for the attack it was assumed that the first German line would be won, or broken through, at several points early in the first day, and after this the second line would soon be captured. As on previous occasions, masses of cavalry were held in readiness to ride through the expected gap, and lead the way to open warfare. But, despite the splendid valour of the attack, there were hardly any gains on the British front on the 1st July. On the right only there was some penetration into the front line. For nearly ten miles along the centre and left desperate valour was in vain—the line held, and the losses of the assailants were appalling. It was a week before the first trench system on the right was captured bit by bit, but miles of the front to northward were firmly held by the enemy. Then came the slow progress of months of fighting. The fertile upland was reduced to a wilderness of broken ground, scored by trench lines, the woods were a tangle of shattered tree-stumps, farmsteads and villages were heaps of wreckage.

In the attack of the 15th September a new weapon made its appearance on the British front, when the first 'tanks' came into action. During the long months of discussion and experiment while these were being secretly constructed, the word 'tanks' had been adopted as a name for them, to conceal the fact that fighting motor-cars were being prepared for the front. They looked not unlike huge tanks of strange outline mounted on wheels, with the 'caterpillar' chain track for rough ground. They were armed with Vickers-Maxims or light cannon, and were intended to trample their way through barbed wire, and over ditch and parapet of entrenchments. These first tanks were slow and cumbrous, liable to accidents, easy targets for artillery, and likely to blaze up with petrol flames if hit by a

shell. They gave the moral effect of surprise on their first day in battle, but it was some time before they became really efficient, and were accepted by all well-equipped armies as an effective weapon that would change the tactics of the battle-line.

By the end of the year, after six months of fighting, the British sector of the Somme front had been pushed forward some eight or ten miles (see Sketch-map facing page 1210), but the German line was still unbroken.

Though Verdun had held out, and in the latter part of the year the French had recovered some of the ground lost there in the spring, one might say that, so far as military operations went, the war leaders of the Central Powers could argue that 1916 had not been an unsuccessful year. Austria still securely held her Alpine front. The Russian armies of the south had attempted an offensive on a large scale, but after some success at the outset had failed to effect anything serious. Rumania, after long hesitation, had come in as an ally of Russia and the Western Powers, with the promise that she would be rewarded with the annexation of Transylvania and a great part of Hungary. The campaign had begun with an advance through the mountain passes and rapid push towards the valley of the Theiss. But, as the defence was reinforced, Austrian and German armies drove back the invaders, forced the passes, and began to descend into the Wallachian plain, where Germans and Bulgars joined them in a converging attack across the Danube on Bucharest, and victories in the field gave the Rumanian capital to the invaders without a shot being fired from its forts.¹

¹ Among the documents from the Russian War Office, which with the Secret Treaties of the Tsar's Foreign Office were published by the Soviet Government in 1918, there was a memorandum of General Polivanoff, the Imperial War Minister, dated 20th November 1916, which throws an interesting light on relations between Russia and Rumania in the Great War. It was written after the collapse of the Rumanian invasion of Hungary. 'If the military and political agreement with Rumania had been realized,' wrote the Minister, 'a very strong state would have come into existence in the Balkans with a population of about thirteen millions. In the future this state would hardly have been well disposed towards Russia. It follows that the collapse of Rumania's plans is not particularly opposed to Russia's interests.' This view perhaps explains the very limited Russian help given to Rumania, help that was almost entirely lacking until the greater part of the country had been overrun by the Austro-German invaders

In Asia the advance of the British on Baghdad had been brought to a standstill, and its vanguard besieged and forced to surrender at Kut, and the British move from Egypt into Palestine had been held at Gaza.

This middle year of the war had seen in the North Sea the greatest sea-fight of all history—the Battle of Jutland, begun in the afternoon of the 31st May and ending towards dawn on the following morning. For the first and last time Jellicoe with the British 'Grand Fleet' encountered Scheer's 'High Sea Fleet'. It was not a fight to a finish. There was no Trafalgar in the Great War.

One realizes the enormous changes that a little more than a hundred years had brought in naval war, if one notes that when Nelson's fleet came in sight of the enemy at sunrise of the 5th October 1805 in clear air and bright sunlight the French and Spanish battle-line, some five miles long, was seen under sail about nine miles to the eastward. It was nearly six hours before the opposing fleets were within fighting distance, for there was only a light wind. The giant Dreadnoughts and battle cruisers that fought at Jutland could sweep over nine miles of sea in some twenty or twenty-five minutes. As for 'fighting distance'—at Jutland opposing squadrons were at times exchanging fire at a range of nine or ten miles. At Trafalgar there was a close fight, in which hostile ships were often locked together side by side. French and Spanish battle-ships were taken, but on neither side was any ship sunk or blown up during the fight. At Jutland there were terrible incidents unknown in earlier wars. Four British ships were blown up by penetrating shell-bursts firing their magazines of cordite.

The main features of the battle may be thus summed up: The first shots were fired at 2.30 p.m. on the 31st May, when Beatty's squadron of battle cruisers came in contact with the vanguard of the German High Sea Fleet, Hipper's cruiser division. Miles away to the northward was the main British Fleet under Jellicoe. Far south was Scheer with the main enemy fleet. Hipper had no idea that the British main fleet

was at sea, and from about 3.30, when he was hotly engaged with Beatty, he kept up a running fight moving southwards to join hands with Scheer. There was the strange situation that Jellicoe was not aware that the High Sea Fleet was at sea¹ until more than an hour later a wireless from Beatty, who had been well served by one of his light cruisers, told of a second German force coming up from the southward. Beatty turned north followed on a parallel course by Hipper; Scheer was coming up to join his cruisers, and counted on this junction of forces resulting in the destruction of the British cruiser squadron, for he too had no idea that the main force of his opponent was at sea, and he realized it only shortly after six o'clock. In his personal narrative of the battle he tells how it was then, that as the British Dreadnoughts deployed into line, he saw out ahead an array of great ships extending for miles, each end of the line disappearing in the mist, and as they opened fire the whole northern horizon seemed ablaze with gun-flashes.

Until darkness put an end to the general action that now began, he was playing for safety, avoiding close action after the first clash of the opposing fleets, but attempting mass attacks with his numerous torpedo craft. Covered by long-range gun-fire, they were twice sent against the British line, but the results were disappointing. It was not difficult for a well-handled ship to avoid the track of a torpedo as it slowed down at the end of a long run, and in the British fleet only one ship was hit and the damage was not serious. After the first attack, with the light decreasing, and mist and remnants of smoke-screens drifting on the sea, all sight of the German fleet was lost for a short time. As darkness came on, Jellicoe decided that he would not risk the confusion of a night-battle. He had interposed between the enemy and his line of retreat to the passes of the coast mine-fields, by which the Germans could return to their base. He counted on having them at his mercy when he renewed the

¹ He was misled by wireless messages from the Admiralty, sending him intercepted German wireless from Cuxhaven which seemed to indicate that Scheer with the main fleet was still at anchor in the Jahde. Apparently these were German messages relaid at the land station, repeating, without indicating the fact, signals from Scheer's flagship already out at sea.

battle at dawn, which would come early on the 1st of June, a famous day in British naval history.

At 9 p.m. the last shots had been fired, and the British battle fleet was steaming southwards, well out to sea from the Jutland coast, with the battle cruisers on a parallel course some miles westward, and the light cruisers and torpedo flotillas forming a screen five miles astern. It was a dark cloudy night, and there was no sight of the enemy away to the westward. Scheer could only make a rough guess at the precise position of the British, but he was helped by the lucky chance of intercepting part of a wireless message giving their order for the night. He shortened speed and then steered north-eastward to slip past the rear of the British, get between them and the Danish coast, and then run home to the Jahde. He changed his course to the eastward a little too soon, and just after 11 p.m. his vanguard ran into the British rearguard screen of torpedo boat flotillas. For two hours there was a series of fights as German ships met here and there the small craft that made reckless attacks upon them, inflicting some losses, even at the cost of their own destruction. At 3 a.m. the summer day was beginning and the Germans were off the Horns Reef on the Danish coast, and turning south for the run home.

At 2.45 the British fleet had turned north, for as the dawn came there was not the hoped-for sight of the enemy to the westward. About 3.30 a Zeppelin hovered high over the fleet and sent a reassuring message to Scheer.

The British battle losses were: in ships, three battle cruisers, three of the older class of armoured cruisers, and eight torpedo craft. The German ships lost were: an older type of battleship, a battle cruiser, and five torpedo craft. The British losses in officers and men were much heavier than those of the Germans, a result of whole crews being destroyed by explosions. The figures were:

	<i>Killed</i>	<i>Wounded</i>	<i>Totals</i>
British . .	6,097	353	6,450
Germans . .	2,545	494	3,039

On the evening of the 1st June an official communiqué in Berlin, and the articles of the special editions of the newspapers, announced that a great victory had been won in the North Sea, and through Holland and America and other neutral countries the news went round the world. The ill-judged policy of the British Admiralty, the Press Bureau, and the Censorship seemed to confirm the statement. Some day perhaps governments will learn that it is best to tell the truth even in war time. The officers and men who had been in action were ordered not to give any news of the battle and to answer no questions, but, in more than one of the east coast ports, ships that had obviously been under fire were arriving, and so, in the absence of news, rumours of naval disaster began to circulate. It was not till late on the 2nd June that a communiqué was sent to the Press, which appeared in the morning papers of the 3rd. It told merely that there had been a 'naval engagement' off the Danish coast; the cruiser squadrons had borne the brunt of the fight and suffered heavy loss but, when the battle fleet came up, the enemy had avoided close action, and owing to 'poor visibility', had broken off the engagement and returned to port. Then the losses of our ships were enumerated, and it was suggested that the enemy's losses must have been heavier. On the 4th a longer communiqué was sent out, which, in the light of previous action, seemed to be an attempt to explain away defeat.

But the question of victory or defeat in battle is not settled by counting up casualties, like points are reckoned at a card-table. The essential facts were that the German fleet had been in action with a superior force, and had to break off the fight, and escape under cover of night to its home base. Granted that Hipper deserved full credit for his successful fight in the first stage of the battle, and Scheer for his extrication of his fleet from a position of imminent peril, when he was cut off from his base by a superior force, nevertheless the advantages of the day were all with the British fleet. There might well be controversy as to various details of the battle, but on one point, honourable to all engaged, there could be no doubt. On both

sides officers and men had shown a splendid courage and unflinching devotion to their duty in the face of terrors and trials unknown to all earlier wars. Despite heavy loss, the numbers of the British fleet made it possible, too, for Jellicoe to report to the Admiralty on the afternoon of the 2nd June that the fleet had refuelled, had replaced ammunition expended, and was ready to put to sea at four hours' notice. Scheer's report to Berlin was that so many ships required extensive repairs and refitting that it would not be ready for action for the next ten weeks. A little later he wrote to the Kaiser that henceforth the only hope of success on the sea lay with the submarine warfare against enemy commerce. After the armistice, when men could speak and write freely, Captain Persius, one of the ablest of German naval experts, wrote that 'on June 1st 1916, it was clear to every thinking person that this battle of the Skagerrak must and would be the last in the war'.¹

After Jutland, though the High Sea Fleet came once or twice out on a short cruise beyond the protection of its mine-fields, it became in the last year of the war little more than a depot for supplying officers, engineers, and torpedo gunners for the German submarines. The dockyards were chiefly employed in building and refitting these 'under-sea boats', and those who directed German policy were relying almost entirely on an intensification and expansion of the submarine campaign as the only possible counter-stroke against the ever-increasing pressure of the British blockade.

Already by the summer of 1916 the effects of the blockade were telling seriously on Germany and Austria-Hungary, and as the months went on it levied a heavy toll of illness, death, and generally reduced vitality on the civil population. The children and the old folk were the chief victims. Towards the close of the war the condition of the people was approximating to that of the half-starved citizens of a besieged city in the last weeks of a long defence.

But the intensified submarine campaign, though it developed into a serious peril for England, eventually had a most disastrous

¹ *Berliner Tageblatt*, 18 Nov. 1918.

result for Germany. Woodrow Wilson, the President of the United States, had from the very outset of the war insisted on America maintaining its traditional policy of avoiding 'European entanglements'. He had even made efforts to promote peace negotiations between the belligerent Powers, and he had made an unsuccessful attempt to arrange for a limitation of Germany's submarine raiding in return for some relaxation of the British blockade. The intensification of the submarine war, the German proclamation that certain waters were closed, not only to enemy, but to neutral shipping, and any vessels disobeying this warning were to be 'sunk at sight', and the consequent peril and loss of American life and property at last forced Wilson to give way to the growing call for intervention in the United States. So the new year of 1917 brought first the rupture of diplomatic relations with Germany, and then on the 2nd April the President's message to Congress asking it to declare that a state of warfare existed between the United States and Germany. On the 6th came this declaration of war.

America's entrance into the war could not mean any early reinforcement for the Allied armies in France and Flanders. For the United States had only a comparatively small regular army, and the local State forces of the National Guard had very little training and no real war equipment. Congress enacted a new service law with an immediate conscription of a million men, but for months the only troops sent to Europe were engineer and works corps which were employed in constructing and equipping an immense base of operations near Bordeaux, with landing quays, railways, magazines, one might even say almost a new city for the reception of a great army that was to take the field after a full year of preparation. This meant that in 1918, but no earlier, an immense stream of reinforcements would be coming across the Atlantic. Cruisers and torpedo craft of the American Navy were at once available for the hunting of the enemy submarines, but the most dangerous crisis of the war for the Allies developed before the United States land forces were available.

When America came into the war Russia was drifting out of

- it. In February Petrograd was in revolt, and a Provisional Government replaced the fallen Tsardom. In France and England the press completely misrepresented the movement as the result of popular indignation against the hopeless blundering of the Imperial Government in the conduct of the war and predicted that there would now be a national uprising against the invaders of Russia. But in the few cities and the thousands of villages of European Russia most of the people were disheartened by the useless sacrifices of years of war. There had been growing discontent during the winter of 1916-17. There had been much the same but less intense weariness and unrest in Russia after the disasters of the Far Eastern War with Japan, but then the army had stood by the authorities. Now it had failed the Government.

Moderate men were at first in power, but the record of the new government of Russia for months to come was that of the steady rise to influence of the extreme socialist groups and parties. In the autumn this culminated in the Communist and Internationalist party of Lenin and Trotsky obtaining control. The disorganization of the army had begun in the early days of the revolutionary government. Imitating the precedent of the great French Revolution, the new government sent civil commissioners to advise and report upon the commanders at the front. 'Soviets' (people's committees) were being formed all over Russia to direct local affairs, and in order to 'democratize' the army soldiers' committees were formed in regiments and divisions. When it was announced that the land was to be divided among the country folk soldiers began to desert in hundreds, to get back to their villages and secure their share in the coming parcelling out of the land. The armies of Austria and Germany quietly held their line, while Berlin and Vienna watched this rapid disintegration of the Russian forces. It was sound policy, for a premature intervention might have arrested the rivalry of the revolutionary parties, and the growing disorganization of what was left of the army. On the 5th May Kerensky became War Minister at Petrograd. He went to the front and made an attempt to help Brussilov, the com-

mander-in-chief, to arrest the break-up of the army, by addressing patriotic speeches to gatherings of the soldiers, in which he declared the country and its future freedom were in danger, and the time was come for action against the standing menace of the armies of the two Kaisers of Berlin and Vienna. In July Brussilov attempted an advance against the right of the invaders, on both banks of the Dniester, along the borders of Galicia. Some ground was gained at the outset, but as the Austro-German line was reinforced its resistance stiffened and the advance was brought to a standstill. Then came the inevitable collapse of an army in which soldiers were holding committee meetings to discuss the orders they received. On the 19th July before a counter-attack north of the Dniester the Russian right simply went to pieces. There was little resistance, whole battalions retreated without orders, men surrendered in crowds, bodies of deserters from many units gathered in columns of armed and disarmed men and tramped away declaring they were done with the war, and officers who tried to stem the confused flight were fired upon. From right to left the whole line fell to pieces, and after their easy victory the Austrians and Germans moved forward for thirty miles, collecting the debris of the broken army. Meanwhile Kerensky and the Petrograd government were dealing with an attempt of Lenin and the extremists to seize power.

A second attempt was successful in the first days of November, and Lenin and Trotsky were able at last to proclaim the Republic of the Soviets. Its actual territory was only part of the old Russia. The Soviets controlled most of north and centre, but the empire was for the time being broken up into several more or less independent states. The Germans had occupied Riga and controlled the Baltic provinces: Finland was preparing to declare its independence; in the south-west the new Republic of the Ukraine, with its capital at Kieff, had come into existence; farther east a Tsarist General, Kaledin, was rallying the Cossacks. In Central Asia, Moslems, Bolsheviki, and Moderates were contending for local governments, and in eastern Siberia, a Tsarist or 'White' movement against the Reds was

being organized. A mixed force of several Allied nations with a British general in command held the White Sea region.

The Bolshevik Government at Petrograd soon concluded an armistice with the Central Powers, and in December a peace conference began its debates at Brest-Litovsk in Poland. Russia was out of the war and the German staff was moving division after division to the western front.

This eventful year of 1917 had begun hopefully for the Allies in France, but its later months were a disappointing and anxious time. In the early weeks of the year there was further progress on the Somme front, and in the middle of March it seemed that the enemy's line was giving way. British patrols on the advanced front found the enemy's trenches on the margin of the new Somme battle-ground were being abandoned, and then it was realized that north and south of these positions, along some twenty miles of front, the Germans were in retreat. It was with high hopes that the Allies pressed forward in pursuit. They found themselves moving through country devastated by the retreating enemy, with buildings in ruin, orchard trees cut down, bridges blown up, and roads cratered with explosions. Presently there was further delay to the advance as it was met by German rearguards covering the retirement. At the end of March the pursuit ended. The enemy had shortened his front by abandoning a salient north of the Somme battle-fields, and a still larger salient southwards towards Roye and Lassigny. He had straightened his line and prepared in advance a formidable entrenched position, extending from his front near Arras, south-eastward to a point in front of St. Quentin, and then southward to the upper Oise. This fortified position was afterwards known to the Allies as the 'Hindenburg Line'.¹

Joffre had resigned the command of the French armies to Nivelle, a younger general who had sprung into sudden fame by recovering some of the ground lost at Verdun, and he had persuaded prominent men of the Allied Governments that he

¹ See sketch-map opposite. By the Germans various sectors of the new line were named after heroes of the old German legends. That directly in front of the British advance was known as the 'Siegfried Line'.

had a plan of attack that would quickly drive the invaders out of France. Haig was directed to co-operate with Nivelle, and undertook to make an attack in force on the Germans facing Arras. This was to draw their reserves in that direction, and the push from Arras was to be the prelude of Nivelle's attack on the front from the Aisne heights to the hills east of Rheims.

Haig attacked on the 9th April (Easter Monday) in miserable wintry weather. The first day gave a brilliant success. The first and second lines of the enemy were broken through and in the days that followed the third line was gapped, and the Germans only held on by rushing up reinforcements to close the opening breach in their front. Nivelle launched his great attack on the 16th. The first enemy line, lightly held, was captured, but after this there were only small local gains, the attack failed with exceedingly heavy loss, and the operations slowed down into normal trench warfare.

Then came a dangerous crisis that paralysed the French operations for two months. By a marvel the secret of what was happening was unknown not only to the Germans but also to all but the chiefs of the British army, and it was a secret kept till the war was over. A mutiny spread through the army on the Champagne front. There were no attacks on officers, no outbreaks of violence. The men refused to obey orders, but kept up the manning of the front line and promised to defend it if the Germans attacked. They held meetings, formed soldier committees, and talked of a move on Paris to insist on peace, for they were tiring of this endless war. Pétain replaced Nivelle in command, and by tactful handling of the malcontents restored discipline. But the army was out of action for over two months, during which Haig had to keep the enemy occupied by continuing his operations from Arras eastward in the direction of Cambrai.

This delayed for months operations he had planned for improving the position on the Ypres front. On the 7th June Plumer had won the high ground south of the city, by wrecking the enemy position on the Messines ridge with the explosion of huge mines driven into the hill, and in the following days

ground was gained on the south front of Ypres. But it was not till September that the projected operations on the northern side of the salient were giving some results, and at the end of the month the weather broke. In the weeks that followed, till the end of November, there was slow progress in persistent bad weather, when deluges of cold rain converted the country into a hopeless swamp, and the advance finally came to an end in a wilderness of mud. While it was still in progress in October there were disastrous days in Italy.

Picked German divisions had secretly replaced some of the Austrians in the passes of the Julian Alps north of the Carso under a general who had shown a marked capacity for mountain warfare in the Carpathians. The Austrian troops thus set free reinforced the army on the Carso front. The Italians knew nothing of these preparations till at dawn on the 24th October the storm burst upon them. In a few hours their line was broken about Caporetto and their whole front to the sea outflanked. The Italian right collapsed in rout. Positions won by months of fighting on the Carso were lost in a day, and their armies were being hustled back in confusion across the Venetian plain.

A hundred miles of the main Alpine or northern front had to be abandoned as the Austro-Germans swept forward in its rear. At last the retreating armies rallied behind the river Piave, with French and British troops hurrying from France to their help. The victors had secured a quarter of a million prisoners, hundreds of guns, and huge magazines and trains of munitions and supplies. The Italians had in all a loss of nearly half a million men, killed, wounded, and missing—many of these last being men who had fled from the danger zone on days when the retreat was degenerating into a panic rout. The arrival of the Allied reinforcements saved Italy from utter disaster.

In France, after the Flanders operations had come to a standstill, there was a day of success, followed by a disappointing sequel. The attack on the German lines before Cambrai was a notable event as the first operation in which the tanks

scored a real success. Instead of a preliminary bombardment, which would warn the enemy, there was a surprise attack, heralded only by a tank force clearing the way over wire and trench for the assaulting troops. Some ground was won, but a few days later the Germans made a surprise counter-attack and recovered some of the lost ground. Amongst their trophies were a number of tanks captured in their camp station. After this there were some days of fighting without any gain on either side, and then the Cambrai area became once more a 'quiet sector'.

There were welcome successes for the Allies in Asia and Africa. Early in the year Baghdad had been captured. Towards its close Allenby was in possession of Jerusalem and southern Palestine, and in East Africa the last of the German colonial armies had been driven across the frontier of the Portuguese colony. But in Europe the outlook for the coming year was a doubtful one. The broad facts of the situation were that, with Russia driven out of the war, Germany could concentrate all her efforts on the western front, and might count upon bringing superior numbers into action there before America could supply any serious assistance to the Allies.

Including the divisions detached to Italy, the Allies on the western front were over three million strong, and so far as numbers went stronger than their German opponents. But now that the flow of reinforcements was coming from the east it was reckoned that the enemy would be able to put about a million of new troops into the line and would have a marked superiority of combatant strength early in 1918. In the autumn of 1917 the French Staff had informed their British Allies that, so far as recruiting went, they were near the end of their resources, and already they had to try to keep their numbers up by bringing more native battalions from Africa. The British army had been kept up to strength by having recourse to conscription and raising the age for military service. A large force was still in the training camps and garrison stations in England, but all through the war the Government had been haunted by the idea of a German raid on England itself, and even in the early

months of 1918 kept this home defence reserve intact. The French Staff had insisted on Haig taking over an extension of the line from the ground before St. Quentin to the line of the upper Oise, and this sector was very incompletely entrenched and heavy work had to be done upon it in the first weeks of the New Year.

The expected German onset began on the 21st March when in mists of the early morning the British were attacked on a front of some fifty miles from the advanced positions before Cambrai southwards to the extreme right of their line. It was the beginning of a week of fighting in which the German onset surged across the upper Somme and the battle-fields of 1916-17. In those few days the Allied gains of a year of war were lost. It was a fighting retreat. Among the outnumbered and wearied troops, British, Irish, and Colonials, there was no rout or panic like that of the Russian and Italian armies the year before. In the last days of March the enemy's progress slowed down, but by the end of the month, after ten days' fighting, their front was only eight miles from Amiens, and farther south a salient of their line was not quite fifty miles from Paris.

As the record of many other advances on both sides has shown, success in such operations with the immense armies of our day almost inevitably slows down to a standstill. The more rapid and far reaching is the first great push, the more certain is this pause in the advance. The heavy artillery that has supported the opening attacks has been left far behind, with its huge stores of ammunition. It will take much time and effort to bring it up to new positions over war-wasted country, along roads cratered by shell fire and with bridges destroyed. The whole system of moving up supplies over new ground has to be organized, and in this instance the communications of the German right attack lay across many miles of country, wrecked and wasted by the long battles of the Somme and by this enemy counterstroke.

In April there was a second onset against the front north of Amiens, towards the hilly country of the Franco-Belgian border. Here a break through would have outflanked the Ypres-Yser

line and cut the British communications with the Channel ports. At the outset much ground was lost, but the line held good, and in these anxious days there was a dashing raid of the British navy on the enemy's submarine bases at Zeebrugge and Ostend.

There was fighting south of Amiens, the Germans trying to cut its communications with Paris. They made no serious gains and there was a growing impression that the great attack was near its end. But suddenly in May they attacked on what the Allies regarded as a secure and quiet front, the French line east and west of Rheims. On the left their advance did not go far, but on the right they came pouring over the Aisne heights. In three days they drove a deep wedge into the French front, its apex reaching the Marne. This was the high-water mark of the German onset.

The Allies in France had been heavily reinforced since the terrible days in March, when ten days had reduced the British armies by 300,000 casualties. Troops were hurried to the front from the reserves so long kept in England, and every effort was made to accelerate the coming of the new American armies. There was a week in which 300,000 of their men were landed in France.

By the middle of July the American armies had reached a total strength of 1,200,000. Even before the great enemy attack, parties of officers and men had done short spells of duty at the front to learn the ways of trench warfare. Larger detachments came as reinforcements after the attack began. In July several American divisions were included in the army that was concentrated under cover of the Villers-Cotterets forests to deal with the German push to the Marne. Surprised on the first battle day (18th July) and heavily outnumbered, the Germans were driven from nearly all the ground they had won, and by the end of the month were back near the Aisne.

This success was a prelude to the series of attacks which Foch and Haig had planned to begin in August. The immense forces now available on the Allied side were to be used for what was practically one gigantic battle, which lasted for nearly a

hundred days—a battle of millions, on a line of fronts that for awhile extended to some 250 miles, from the flat lands of Flanders by the North Sea to the middle Meuse in north-eastern France.

It began on the 8th August with a surprise attack on the enemy front south of Amiens. This was heralded by no preliminary bombardment but began in the morning mists with the onset of hundreds of tanks, preceded only by the fire curtain of a moving barrage of bursting shells. The Germans, after their first surprise, made a good fight, but they were forced back on a front of twenty miles and the Allies gained some further ground next day.

This was the first of the series of attacks, now here, now there, on the great wedge the German advance had driven into the Allied front. Outnumbered and no longer able to reinforce a menaced point by drawing troops from other parts of the line, Ludendorff (now in charge of the operations) decided to shorten his front by a gradual withdrawal to the Hindenburg Line. By the end of the month the Allies were across the old battlefields of the Somme, and the German front from Cambrai to St. Quentin was where it had been months before.

The fighting spread along the Allied fronts. On the left Belgians, French, and British were to push forward towards Brussels and Lille; in the centre Haig undertook to force the strongest sector of the enemy front, the Hindenburg Line. The attack would be prolonged by the French in Champagne, and on the right the Americans were to come into action, no longer in detachments but as a national army under General Pershing, who had organized it.

A striking force of nearly 600,000 men was concentrated south of Verdun and about Toul. To Pershing's command there were added a French army corps, some heavy artillery, and part of the air force of a thousand planes that assisted in its first operation, the capture of the salient in the German line on the heights of the Meuse. Held by about 100,000 men, the salient (originally occupied by the Germans in 1914) had fronts of twenty-five and twenty miles, with its base towards

Metz on the Lorraine frontier. It was stormed on the 12th September, the French attacking the apex and the Americans its two fronts. The pursuit was pushed to the Moselle, some of the advanced patrols coming under the long-range fire of the western forts of Metz. These were the only shots fired by a German fortress in the West during the whole war.

Pershing had hoped and suggested that he should be sent with an army of a million to invade German Lorraine, blockade Metz, and push on into the Rhineland. He would soon have reserves of a million more in France, with two millions still in the training camps of America. He agreed, however, to lay this scheme aside, to be acted upon if the war lasted into 1919, and accepted the task assigned to him by Foch, an advance north of Verdun through the hill and forest lands of the Argonne and the Ardennes to seize the narrow bottle-neck, between the Ardennes hills and the Dutch frontier, through which by Liège ran the best line of retreat for the German armies in France. The penetration into the Argonne would bar their only alternative line of supply, the railway that follows the French frontier to link up with the northern railway system of France at Hirson junction.

In September, after nine days of battle, Haig broke through the formidable defences of the Hindenburg Line. In October the German retirement from Flanders began; Ostend, Zeebrugge, Bruges, and Lille were abandoned. In the Argonne the Americans fought their way through four successive entrenched lines, and by the end of the month they had seized the frontier railway and were on the heights commanding Sedan. They had taken 26,000 prisoners and 800 guns, losing 117,000 killed and wounded. The French advance linked up the Americans on the right with Haig's push towards Mons across the ground over which the British had retreated in 1914.

In their anxiety to collect as large a force as possible in France for the great stroke in March, the German leaders had sent no help to their Allies in Syria, Macedonia, and Italy. The German divisions had been withdrawn from Venetia, the Bulgarians were left to bear the whole brunt of the war in the

Balkans, and few Germans remained with the Turkish army under Liman von Sanders in northern Palestine. From all three countries there came news of Allied victories. Allenby, with the British army in the Holy Land and his Arab auxiliaries, had swept the Turkish army out of Palestine and occupied Damascus. His mounted troops seized Aleppo and the coast cities of Syria. The Allied armies, a mixed force of many nations, had advanced from Salonika, stormed the positions held by the Bulgarians in the hills, and sent one force to recover Serbia and another to move towards Constantinople. Both Turkey and Bulgaria were now asking for peace.

In October Austria also abandoned the struggle. Attempts to turn the Allied line on the Piave in north Italy had failed. In Austria and Hungary the civil population was in distress. This was one of the far-reaching results of the Allied blockade. Vienna was said to be almost as short of food supplies as Paris had been in the last stage of the siege of 1870-1. The Austrian Government had made efforts to arrange a general peace, but loyalty to its German ally had barred till the last extremity any idea of a separate settlement. But the surrender came at last, when on the 24th October the Allies on the Piave assumed the offensive. This began with the crossing of the river on the left of the line by the British under Lord Cavan. The advance along the whole front followed. After several days of hard fighting the Austrian resistance broken down completely on the 30th. Their armies were in full retreat, and that evening negotiations for an armistice began.

The request for it sent by the Austrian head-quarters in Venetia stated as a leading motive for this action that the German Government was already negotiating with President Wilson for a general armistice. These negotiations had been for some time in progress. The initiative had come as the result of a message sent to Berlin by Ludendorff, when Haig was breaking through the last defences of the Hindenburg Line. It warned the Government that it was all-important to obtain an armistice. Hertling, the Imperial Chancellor, resigned to make way on the 30th September for Prince Maximilian, a

cousin of the Grand Duke of Baden, chosen to succeed him at the suggestion of the Emperor by a meeting of the party leaders. He formed a coalition cabinet of men known to be ready to work for peace. On the 5th October he sent to President Wilson a message asking him to mediate for the ending of the war, and invite the Allies to grant an armistice. He declared that Germany was ready to accept the President's proposal of the 'Fourteen Points', in his message to Congress of the preceding January. On the same day the Austrian Government sent a message to Wilson making the same requests. In announcing this action to the Reichstag the Chancellor said Germany agreed to the complete freedom of Belgium, and the evacuation of all the occupied territories, and looked forward to a general peace based on the principles repeatedly set forth by the American President, and trusted the future peace would be protected by the formation of a League of Nations.

Wilson, of course, kept in touch with the Allied Governments during the exchange of messages that followed between Washington and Berlin. One may well regret that this correspondence dragged on nearly to the last day of October, Wilson declaring that he could not ask the other Allies to act with him until he had full assurance that he was dealing with a government that represented the German people, and was in a position to initiate serious measures for a lasting peace. Once this was clear the actual terms of the proposed armistice and the arrangements for evacuation of the Allied territories must be settled with the military chiefs of the Allied armies. While this diplomatic debate was being prolonged the armies in France and Flanders were fighting day after day, driving back the German forces, who to the last stubbornly defended line after line of temporary resistance. Germany had practically displayed the white flag of surrender and a provisional armistice might well have been arranged in mid-October, saving thousands of brave men from death and suffering, the price of no compensating gain even to the victors.

It was not till the first days of November that at last Germany was invited by the Allies to send representatives to France to

arrange the conditions of an armistice. Foch had already decided that in case the terms he had already arranged with the Allies were not accepted a new phase of the advance would begin with an invasion of German Lorraine and a siege of Metz to begin on the 14th, and the British air force had completed all preparations for a tremendous air-raid on Berlin. It was not till the 6th November that the German delegates started for France. These were four in number, three of them generals, and the fourth Erzberger, one of the leaders of the Centre Party and the civilian representative of the Chancellor. Late in the evening of the 7th they arrived at a country house in the forest of Compiègne. They were to meet Foch next morning close by in a saloon carriage of the train which for some days had been his moving head-quarters.

Events had been advancing rapidly in these early November days. The armistice with Austria had been signed on the 4th. One of its clauses provided that, if the war continued with Germany, the Allies were to be free to use the Austrian territories in any further operations against their now sole remaining enemy. There had been for some time trouble in the German fleets at Wilhelmshaven and Kiel. On the 4th open mutiny was spreading from ship to ship and Socialist outbreaks followed in the ports. It was the beginning of the revolution that spread like wildfire through all the German lands. The Chancellor, Prince Max of Baden, advised the Kaiser to abdicate, and on the 9th announced to the Reichstag that not only had the Kaiser resigned the crown, but the Crown Prince had renounced his right of succession. On the same day the Chancellor resigned his own office. The revolt had spread to Berlin, and Prince Max handed over control to the choice of the Socialists, Herr Ebert, under whose presidency a provisional Government was formed. Ebert proved to be a moderate man, who began by appealing to men of all parties to unite with him in maintaining order and securing peace for the German Fatherland under the new Republic.

This was the situation that developed while Erzberger and his colleagues were negotiating with Foch—if indeed it could

be described as a negotiation, for when they met him on the morning of the 8th it was to receive a summons to unconditional surrender. The delegates were called upon to accept and sign an elaborate statement of the armistice terms, a document of many pages. Among its chief provisions were these:

The German armies were to evacuate in a fortnight all French and Belgian territory, also Alsace-Lorraine. They were to hand over to the Allies 5,000 cannon, 30,000 machine guns, and 2,000 aeroplanes, also 5,000 locomotives and 150,000 railway wagons, and all reserves of coal. Within a second fortnight all German troops were to be six miles east of the Rhine. The Allies would occupy the evacuated territory, and take over the fortified crossings of the Rhine and a sector with a fifteen-mile radius as a bridgehead on the east bank at each of them. Allied prisoners of war and other Allied subjects under detention would be released at once, but German prisoners in the hands of the Allies would be retained until the peace.

German treaties concluded with Russia and Rumania would be cancelled, and all German troops in eastern Europe withdrawn to the German frontier of August 1914. As to the navy, twenty-four battleships and cruisers, fifty of the newest destroyers, and all submarines would be surrendered. The existing blockade by the Allies would be maintained; German trade and supply arrangements with Holland, Denmark, Norway, and Sweden would be void, and German merchant craft found at sea would be still liable to capture.

All that the German delegates could do was to say that they could not accept these stringent terms without communicating with Berlin and with the General Head-quarters of the army at Spa in Belgium. The text of the proposed armistice was sent by telephone to Berlin and a council of the new Government was held. It was decided that there must be submission under protest. A messenger sent by autocar with a copy of the document started for Spa. It was early on the 10th before he reached the place, after long delays on ruined roads and in the transit through the battle fronts. Hindenburg was now in control at head-quarters, the Emperor was preparing to start for Holland

before evening, and the news from Berlin was that home conditions were becoming chaotic.

Before dawn on Monday the 11th Erzberger and his colleagues were again with Foch. They signed the armistice terms, protesting they were doing so only under pressure of the inevitable. The French generalissimo sent by wireless to the Allied commanders the order that hostilities would cease six hours later at 11 a.m., and there would be no advance beyond the front occupied at that hour till further orders.

With wireless and ground lines linking up all the front where the armies were in contact, one wonders why there were some hours of needless loss of life. Perhaps there was a touch of pedantic formalism in fixing the 'Cease fire' at 11 a.m. this day. It was the hour and day he had named at his first meeting with the German delegates when he told them that if the terms he offered were not signed the negotiation would be broken off 'at 11 a.m. next Monday'. Early in the day London knew the armistice had come. The news was also spreading along the British front early in the forenoon. At several points there was a strange eagerness to push local attacks up to the last moment, and officers and men with years of active service on their record and who were now looking forward to assured peace and a return home were among the last casualties of the war.

CHAPTER VII

THE AFTERMATH OF THE GREAT WAR

11th November 1918 to 1932

Sufferings caused by the continued blockade during the long period of the armistice—disastrous results of the war for all concerned only gradually recognized—these intensified by the prolongation of the war—preceding events may have made it inevitable—but its prolongation for years was *not inevitable*.

Duty of seeking for peace even in a just war—repeated peace efforts during the Great War all ended in failure—factors producing this failure—(1) *a propaganda of hate*; (2) *secret treaties* that made a war professedly begun in self-defence *a war of conquest*. The propaganda of hate—suppression of truth and suggestion of falsehood—effect on combatants in the field and public opinion at home.

Efforts for peace—Benedict XV—President Wilson—German proposal of December 1916—Austrian efforts of 1917—mission of Prince Sixte de Bourbon—doomed

to failure by existence of the Secret Treaties—how these became public property in January 1918

Outline of the Treaties—Russia and Western Allies—Feb. 1915 The Tsar to have Constantinople and the Straits—Feb. 1916. Russia agrees to French annexations in the West, to have in return a free hand in settling affairs of Poland and new eastern frontiers of Germany—partition of Asia Minor—Feb. 1917 Confirmation of earlier agreements and France is to dominate all territory up to left bank of the Rhine—April 1915, Secret Treaty with Italy—she is to have south Tyrol, Dalmatia, &c., a share in partition of Ottoman Empire, and gains in Africa, an immediate loan and part of the war indemnities—the Holy See to be excluded from peace negotiations—6 March 1917, Memo of Russian Foreign Office sums up arrangements for partition of Near East—Aug. 1916, Treaty bringing Rumania into the war provides for further partition of Austro-Hungary. *Swiss neutrality*—peace conversations in this island of peace—German effort for peace in 1917—action of Reichstag—Hertling (Bavaria and Centre), the new Chancellor Hertling's and Czernin's appeal to Wilson. Efforts for peace at beginning of 1918 barred by Allied hopes of victory based on American help, and the German militarists counting on getting in a previous blow with the divisions set free from the eastern front

Losses incurred in the war—loss of life—practical serfdom of defeated peoples—moral loss—destruction of churches—losses of the clergy and the missions under the anti-clerical French military law

False idea that armistice and treaties of 1919 ended the war—the 'great war' leaves an immediate sequel of other wars—Wars in Russia—foreign intervention consolidates Soviet power—Red risings in Germany, Finland, Hungary—Czechoslovakian and Rumanian intervention—Poland—the Soviet march on Warsaw. Wars in the Near East—Greek against Turk—the new Turkey—the end of Armenia—French in Cilicia and Syria—Afghan war, &c.

Efforts for world peace—League of Nations—problem of disarmament—the Nations arming while debate drags on from year to year—new developments of armed force—mechanized armies—aerial armaments—the Locarno Treaty—security for France—French armaments—the Kellogg Pact—weak points of general resolutions—Japan, a member of the League and a signatory of the Pact engaged in an aggressive war policy (1932) and broke away from the League—Germany, in 1934 under the Nazi dictatorship of Hitler, re-armed and left the League—Mussolini picked a quarrel with Abyssinia and in 1935 plunged into a war of conquest.

No need, however, to take either an entirely optimist or pessimist view—special dangers of the time—yet still much effort for peace—the real need, 'mental disarmament'—Pius XI's peace action—best hope of peace summed up in the watchword of his pontificate: *PAX CHRISTI IN REGNO CHRISTI*

THERE was tragedy for millions in central Europe in the news that, though the fighting on the western front had ceased, the blockade was to continue. It meant for them the prolongation of some of the direst sufferings of the war years. It might well be that the mentality of the victors had sunk to a lower level than that of wars of the recent past. In January 1871,

when besieged Paris was nearing starvation point and surrender was imminent, the Prussian Staff kept long trains laden with food supplies at their railheads, ready to be run into the city as soon as the surrender was signed.

For months the civil population of Germany had been in real distress. The home production of food, which even in the years of peace had to be supplemented by imports, was steadily decreasing. Supplies from abroad were scanty. The noncombatant population had to try to live on what was left after provision had been made for the armies in the field. The people were half starved, the death-rate of the children and the older folk had risen steadily, and tuberculosis and other diseases that are fostered by malnutrition were making many victims. Now the blockade was to be prolonged and trade overseas was under a ban. It is true that Clause XXVI of the armistice terms, while maintaining the blockade, added that : 'The Allies and the United States contemplate the provisioning of Germany during the armistice as shall be found necessary.' We cannot, however, tell how far 'contemplation' led to action, but certainly there was no adequate effort of the Allies to deal with the distress of the people. In the form of the blockade of a whole nation the war went on until the peace treaties were at last signed in the summer of 1919.

It was only gradually that in the years that followed there came, under the grim pressure of hard facts, a general recognition of the disastrous results of the long war—disastrous for both victors and vanquished. During the years of strife there was a strange, widespread delusion that even though for those years the great nations laid aside their normal life, devoted all their energies to war-making as the one supreme duty, and sent millions of their manhood to engage in mutual destruction, the sequel would be the dawn of a new golden age of peace and prosperity. There were even times when to express a hope for peace was by many regarded as a token of disaffection and disloyalty to the best of causes. Few realized that with millions under arms any imaginable triumph would be secured at a ruinous cost, and entail a legacy of ruin for the future years.

The prolongation of the war was thus an immense calamity. It has been argued that the 'World War' was inevitable. The most that can be granted is that it had become 'inevitable', thanks to the rivalries and policies of the years that preceded it—the competition in armaments between the nations of Europe, the growth of huge armament firms into national industries, with increased dividends depending on the tension and outbursts of war alarms among the peoples, the clash of competing interests and ambitions in empire-making in Africa and Asia, where the scramble for new territories, and wealth to be won by exploiting their resources with cheap native labour became a mission of 'civilizing the inferior races', with the not infrequent argument of rifle and machine gun when they failed to realize the generous intentions of the new missionaries of European culture. Add to all this the tangled skein of open and secret treaties, and the formation of permanent alliances in view of a coming international conflict, and we may grant that war was inevitable.

But when it came at last there was no reason why the conflict should drag on through year after year of mutual destruction. We may take it that on both sides the great mass of those who flung themselves into the fight honestly believed that they were taking up arms in a just cause. But as the founders of the Law of Nations through all its long developments from the moralists of the medieval schools to Vittoria and Suarez, and Grotius and his successors, had set forth, as all but a self-evident principle that, however clear it might appear that recourse to war was an act of justice, once war had begun it was the plain duty of Christian men to welcome every opportunity for ending the quarrel and substituting peaceful negotiation for the exercise of armed force. For it would be a crime before man and a sin before God to prolong even the most just of wars beyond absolute necessity out of mere desire of conquest or of vindictive triumph over an enemy.

But apart from the obvious principles of religion and morality, even the lower considerations of self-interest and economic prudence suggest that under modern conditions prolonged war

on a vast scale and involving many nations must result in long-enduring loss to both victor and vanquished—loss that may easily far outweigh any advantage gained by success in the conflict.

Again and again during the war there were movements for peace inspired by these sound principles, and from the winter of 1916 onwards there were undoubtedly possibilities of negotiations that might have given some good result. All efforts towards peace ended in failure, and the war dragged on to the bitter end. A full study of the reasons for this failure would be of high interest. Here we can only note some of the conditions of the conflict that made every effort for peace a barren enterprise.

There were two factors that largely influenced this result: (1) a propaganda of mutual hatred, and (2) the policy, mostly conducted by secret diplomatic negotiations, that converted a war begun on the plea of self-defence into a war directed to securing world-wide gains for the victors. Something must be said of these factors in the prolongation of the war 'to the bitter end'.

In war time, whatever else rises in price and current value, truth is usually soon at a discount. Not only under autocratic rulers, but under democratic governments, the freedom of the press is restricted, often with such severe restrictions that it practically ceases to exist. Once the censorship is at work the Government becomes responsible not only for its official utterances but also more or less directly for what it allows to be published in the press. In several of the belligerent countries, from the very outset of the war, the censorship gave a free circulation to every story true or false that could excite popular indignation against opponent Powers and peoples. During the first three months of the war the British press control only on one solitary occasion issued a contradiction of an infamous charge against the Germans, explaining, however, that this was done to allay anxiety in England as to the fate of the wounded abroad.¹

¹ It may be well to add a few details as to this instance of the war propaganda of hate, as showing that at least in some cases this reckless lying took the same form

There was no attempt to deal with the stories of Germans cutting off the hands of Belgian children, and the rumours in London that children thus mutilated were among the Belgian refugees, though inquiries made among those in charge of them resulted in replies that there were no such cases, and no reason to credit the ugly reports. The true reports of the seizure of hostages and the execution of Belgian peasants and townsfolk accused of taking up arms as irregular combatants in the first stage of the war tended to give credence to baseless fictions intended to show that the enemy had an organized system of murder. Thus for instance one of the leading London dailies published a statement that on the battle-field the German wounded lived in dread of their own Red Cross helpers, for the surgeons had in their equipment a dagger knife that was used to save further trouble with badly wounded men by giving them an expert *coup de grâce*.

As the war went on more than one abominable fiction was given free circulation by the Press Bureau and Censorship. There were for instance the stories of the 'crucified Canadian', and of the German 'corpse utilization factory', to which the dead of the trenches and the battle-fields were transported to melt fat down into useful lubricants and other tissues into

both in Germany and in England. In this case there was such a remarkable coincidence between the falsehood circulated on both sides that it might well be conjectured that the 'father of lies' inspired it in both countries. In the first week of September 1914 the British official press bureau issued a warning that not the slightest credit was to be given to a current report, which had caused much anxiety and pain to relatives of the wounded. The story was that cases were being found in the hospitals of wounded officers and men who were totally blinded by German soldiers having gouged out their eyes as they lay disabled, on ground that was lost and won in Flanders and France. No such cases had been found, and the story was a fabrication. At the same time a report was being circulated in Germany that among the wounded in the war hospitals there were numbers of wounded thus cruelly blinded by Belgian peasants and camp followers. The press told how in one of the Cologne hospitals a whole ward was devoted to such cases. A press association at Cologne, the *Pax Verein*, sent a representative to the hospital named. He was told that there were no such cases. The directors of the *Pax Verein* went farther. They sent a letter of inquiry to all the home hospitals and to the Chief Medical Officer of every Army Corps and Division on the western front. Replies came pouring in, and these were absolutely unanimous assurances that no such case was known. The horrible story circulated on both sides was simply an instance of mendacious atrocity-mongering.

manure for the home farms. At the same time, while anything that would tend to excite hatred and contempt of the enemy was allowed to pass the censors at the front and at home, facts that told in his favour were carefully suppressed.

Let us take one striking instance of such discrimination. There was amongst the horrors of the prolonged trench warfare on the western front one of a specially ghastly and sometimes even cruel character. A not infrequent incident of earlier wars had been a temporary local armistice, described in the official British *Manual of Military Law* as a 'Suspension of Arms'. It was a local truce to clear the ground between the opposing fronts, remove the wounded for treatment and the dead for burial. The *Manual* in current use before 1914 gave full directions for arranging and acting on such a truce, with a model form for the articles of agreement to be signed under flag of truce at the outset. During the years of trench warfare this humane and honourable 'custom of war' seems to have fallen into all but complete desuetude. On the fronts where conditions were static for months at a time, and the 'no-man's-land' between the opposing lines was a narrow one, after each attempted local advance, the wounded lay dying in the open ground unless they could crawl to safety or be rescued in the night, and decaying corpses hung tangled in the wire, or lay in hollows of the ground. There were indeed at times informal truces when men did not fire on opponents who came out to help the wounded or remove the dead. These, however, were irregular and unauthorized proceedings. There was an irregular truce on a larger scale, on one limited sector of the front of the first day of the Battle of the Somme (1 July 1916). A British brigade had suffered heavy loss in an abortive attempt to storm the enemy front. As the fighting was dying down the Germans sent over a low-flying aeroplane which dropped a message, promising a 'Cease fire' and help for the rescue parties, if the British would send out men to bring in the wounded. The offer was accepted. A distinguished English journalist included in his account of the day a brief reference to this humane action of the enemy. The censor struck it out. There

was an unwritten law that nothing good must be told of the enemy.

It would be easy to multiply these instances of the combined *suppressio veri* and *suggestio falsi* that characterized the war propaganda of hate. It had two lamentably evil results:

- (1) On the plea of reprisals it led to not a few discreditable acts of vengeance on the part even of men and officers of the Allied armies, and
- (2) it maintained in the public at home a state of mind that made any effort for peace appear to be a trafficking with an evil power, with which there could be no relations but those of vindictive punishment of crime, and this undoubtedly helped to prolong the war.

As to the former point, it must be clearly put on record that, as a rule, the men who fought on the British front were not much infected even by the lessons of hate supplied by the newspapers that came to them from London. Even if they accepted the general theory that the Germans were an inferior race addicted to evil practices, they had no personal ill will against those immediately opposed to them, and paid the soldier's tribute of respect to brave enemies. We may take it that many of them shared the view of the Scotch sergeant who said to John Buchan, 'No doubt the Germans are a black lot, but *not the folk that are up against us*. They are very respectable men and grand fighters.'

We have mentioned the informal truces in the trench warfare. The most remarkable of these was the Christmas truce of 1914 on the Flanders front which had long been the scene of fierce fighting. On Christmas Eve at many places on this front all firing ceased. Christmas candles glimmered along the German trench line and British and Germans sang carols and songs and exchanged friendly messages. Next day the truce continued. In no-man's-land there were mixed gatherings of men in khaki and in 'field grey': drinks and smokes, exchange of souvenirs, sing-songs, and at least one game of football. There was talk of home, of better days to come. It was a most irregular proceeding, causing some serious anxiety to veteran staff officers,

for it brought the nightmare suggestion that this finely organized war might automatically come to an end. There were strict orders against any further fraternization, and as a precaution the Christmas morning of the next year opened with shell-fire in the early twilight.

On days of battle British and German wounded men helped each other as they lay side by side. Those less seriously hurt stumbled along arm in arm to the nearest Field Dressing Station. As parties of prisoners were being brought in, men pressed forward to give them cigarettes or a drink from a water bottle. Through the earlier stages of the war there seems to have been, with rare exceptions, a chivalrous attitude towards a disabled or defeated enemy.

But as the war went on the persistent propaganda of hate led to miserable results. One hesitates to dwell upon incidents that are not even hinted at in our popular war histories, but which must be referred to if we are to realize the degradation to which 'civilized warfare' can descend, under the influence of persistent suggestion of hate. (It must not be forgotten that this propaganda was chiefly the work of stay-at-home journalists and platform orators, not of the men at the front.) There is striking first-hand evidence on the subject in a book published immediately after the armistice, by Stephen Graham, relating his personal experiences in the later years of the fighting in France. An expert on Russia and the Near East, he was travelling in Siberia when the war began. On his return to England he enlisted as a private in a Guards' Regiment. While bearing testimony to the soldierly qualities and normally good conduct of the men at the front, he tells of incidents in the later stages of the war that revealed—as he puts it—the evil influence of the campaign of hatred that represented the enemy as brutal barbarians, almost as vermin fit only for extermination. He tells how he heard a comrade of another regiment praising his commanding officer as a sensible man who laid it down that no prisoners were to be taken. More than this, he describes the deliberate killing of numbers of prisoners after an action, this brutality being in one case at least carried out with the consent

of an officer. So far as we are aware his statements have not met with refutation, but were not even challenged. Actions like these were something worse than the refusal of quarter to beaten opponents in the heat of battle. The legend of the 'crucified Canadian' led to the Canadians and other Dominion troops refusing quarter to the enemy. One may, however, trust that it was an exceptional type of Canadian officer who, on being asked if he believed this story, replied, 'Well, even though there is some controversy about it, it is a good story to tell to our boys when they embark for France.'

In Britain and in France the use of the press censorship and the official communiqués to give the fullest prominence to everything that could blacken the character not only of the hostile governments but also of the enemy peoples, added a strain of something of personal hatred to the patriotic enthusiasm for the war. In the popular mind of the Western Allies it came to be accepted as a matter about which there could be no question, that the enemy represented an evil and brutal power with which there could be no peace but a peace of vengeance and destruction. No wonder that for year after year any efforts even to obtain a discussion of a fair peace were regarded as a betrayal of right and justice and came to naught. The deliberate cultivation of a persistent war mentality not only prolonged the war, but inevitably produced at last a peace which was a menace to the whole future of Europe.

Despite the almost impossible conditions of the time there were not a few efforts for peace. From the very outset such influence as the Holy See possessed was in favour of peace. Through his envoy at the Vatican the Emperor Francis Joseph asked for a blessing on the armies of Austria: 'I bless only peace' was the reply of Pius X. A few days later the saintly Pontiff died, broken hearted at the spectacle of so many Christian nations plunging into a fratricidal war. The Conclave for the election of his successor assembled on the 31st August 1914, and on the 3rd September its choice fell upon Cardinal della Chiesa, Archbishop of Bologna, who took the name of Benedict XV. On the outbreak of the war he had addressed to the clergy of

his archdiocese a message in which he dwelt on the Church's mission of peace and goodwill to all mankind, and expressed his certain forecast that the attitude of the Holy See would be one of strict neutrality, while using every effort to promote the return of peace and to mitigate the miseries of the war. He can hardly have expected that it would fall to his lot to give practical expression to this policy of peace and goodwill, as Vicar of the Prince of Peace. For though he was in his sixtieth year, he was in date of promotion a junior member of the Sacred College, to which he had been raised only at the Easter Consistory of 1914. He came to his high office with the knowledge of affairs he had acquired in the diplomatic service of the Holy See, and as the assistant for some twenty years (1887-1907) of two celebrated Secretaries of State at the Vatican, Rampolla and Merry del Val, during the pontificates of Leo XIII and Pius X.

From the first day of his Pontificate he was the most strenuous of workers for peace and for the mitigation of the horrors and miseries of the war. His public appeals were directed not only to his flock but to all the peoples involved in the conflict, and in his final appeal to the sovereigns and governing statesmen of the belligerent Powers. In this letter of the 1st August 1917 he outlined what he regarded as a possible basis for peace. It is a document that did him the highest honour. It was issued at a time when other efforts were being made to secure at least an exchange of views between the belligerents with a view to a basis of agreement. Only in later years there came from many quarters, from economists and politicians, some recognition of the statesmanlike character and far-seeing foresight of Benedict XV's proposals. One of these was in 1917 especially denounced by journalists and politicians in most countries as mere theoretical utopianism. It was the proposal that the question of reparations and war indemnity claims should be disposed of by 'an entire and mutual condonation', with special treatment of some exceptional cases of loss and hardship. There would be compensation for much of the sacrifices thus made in the immense benefits that would follow from a general disarmament. This, he had proposed, should result from an international

agreement to substitute a system of arbitration for armed assertion of rival claims, as part of the general substitution of 'the moral force of right for the material force of arms'. The present days of world embarrassment and widespread ruin may well make us regret that the wisdom of this apostle of peace and goodwill was treated as utopian folly.

When the war began President Wilson had published a declaration of neutrality, insisting on the traditional American policy of freedom from 'European entanglements'. In the first months of the war American opinion and sympathy were divided. There were protests to Germany against the submarine war and to England against the new methods of blockade and the treatment of American merchant shipping; but even after the sinking of the *Lusitania* the President held to his policy of protecting American interests by negotiation, and he was elected for his second term of office on a programme of neutrality and efforts for world peace.

In the autumn of 1916 the German Chancellor's utterances suggested that an offer of peace would come from Berlin, and there were rumours of mediation from Washington. On the eve of his accession to power as Prime Minister Mr. Lloyd George in a widely circulated interview warned America that, even though the Germans were 'squealing for peace', there could be no mediation, for England would fight on to 'the knock-out blow'. The German proposal issued to the Powers in December 1916 was that representatives of the warring governments should meet in conference for an exchange of views, in the hope of perhaps finding some basis of agreement, but until this was reached there would be no armistice. This condition was no doubt suggested in order to obviate the argument that Germany was seeking, not peace, but a respite from the pressure of the Allies, to be used for reorganizing her forces. There was an important historical precedent for such negotiations without a cessation of war operations, for a conference while the fighting continued had been the prelude to the Peace of Westphalia which brought the Thirty Years War to a close. The German offer of 1916 had no result.

More hopeful though also unsuccessful was the Austrian peace effort of 1917. On the 21st November 1916 the aged Emperor Francis Joseph had died after a troubled reign of sixty-eight years. His successor was the Archduke Charles Francis Joseph, the nephew of the Archduke Francis Ferdinand (the victim of Serajevo). The young Emperor declared that he hoped to make his dominions lands of 'equally privileged nationalities' and at Vienna he formed a new cabinet under Count Czernin, which included none of the ministers in power at the outbreak of the war. Czernin declared that he hoped for a peace of reconciliation, followed by disarmament, and in the first weeks of the new year the young Emperor prepared an effort for peace. He had married the Princess Zita, a daughter of the Bourbon-Parma line, and he chose as his envoy to the Powers not a professional diplomatist, but her brother Prince Sixte (Sixtus) de Bourbon, who was then serving as a volunteer worker with the Belgian Red Cross, and who had for years been one of his nearest friends. He called the Prince to Vienna, and drew up peace proposals in the form of a letter to him, which he asked him personally to communicate to and discuss with the chiefs of the Western Allies.

In this statement the Emperor made it clear that he was not asking for a separate peace for Austria-Hungary but for a general peace, for he could not betray his ally, and he anticipated that Germany would be brought into a Conference if the Western Allies and the United States were ready to discuss possible terms of peace. He recognized that amongst its conditions must be the complete restoration of Belgium, and for his own part he agreed in advance that Serbia must be reconstituted in full freedom and obtain access to the Adriatic. He was ready to discuss concessions to Italy, and as for Alsace-Lorraine he promised to support 'by every means and with all his personal influence the just claims of France'.

Prince Sixte de Bourbon spent some time in London, and had several interviews with Mr. Lloyd George. He visited Paris where he met M. Ribot as the representative of the government, and he also was in touch with Baron Sonnino for Italy. He kept

in close correspondence with Vienna, and his mission lasted till June, when it was recognized that it must be abandoned. He had refused various suggestions for concessions to Austria if the Emperor would abandon his allies, and he had discovered that the French Government wanted much more than the freedom of Alsace-Lorraine. Ribot had shown him a note from President Poincaré insisting on further gains on the left bank of the Rhine.

Such claims as these were the result of a long series of engagements, mostly secret, so far entered into by France, Britain, Russia, and their European Allies during the war years. These treaties were undoubtedly a main element in the prolongation of the war to the bitter end. The terms of most of them were well-kept secrets until early in 1918 the Soviet Government of Russia, after its examination of the files of the Petrograd Foreign Office, published the full text of them all.

This secret diplomacy of the war time was an unhappy sequel to the secret engagements of the preceding years. These engagements, of which those who died to give effect to them knew nothing, gradually transformed what was described as a war for the defence of right and the freedom of Europe into a war for gains of territory, often in frank disregard of the principles of nationality which were declared to be the guides of the Western Allies. No wonder the Austrian offer of co-operation towards peace was hopeless, for these secret treaties had already provided for a partition of both Austria and Hungary.

The terms of these treaties can only be briefly noted here. They throw a strange light on the 'war to end all war', and present a striking contrast to the ideals put forward by Benedict XV and President Wilson. They were the genesis of much that was most ill advised in treaties of 1919. One of the most valuable features in the procedure of the League of Nations is the stipulation that, if they are to be held valid, treaties must be registered at Geneva.

In February 1915, while preparations were in progress for the Gallipoli campaign, an agreement was concluded between Russia, France, and Britain that the Tsar was to add to his empire Constantinople, and a tract of territory adjoining the

city and extending along both shores of the Bosphorus, the Sea of Marmora, and the Dardanelles. (The brave men of many nations who fought and died in and around the Gallipoli Peninsula had no idea they were giving their lives in thousands to win Constantinople for the Tsar.)

In these Russian Foreign Office documents there is an important dispatch addressed to the Tsar's ambassador in Paris on the 24th February 1916, on the eve of an Allied Conference. Note is taken of previous agreements. The ambassador is instructed that he

must bear in mind that we are prepared to allow France and England complete freedom in drawing up the western frontiers of Germany, in the expectation that the Allies on their part would allow us equal freedom in drawing up our frontiers with Germany and Austria.

It is particularly necessary to insist on the exclusion of the Polish question from the subjects of international discussion and on the elimination of all attempts to place the future of Poland under the guarantee or control of the Powers.

A year later, in February 1917, we find an exchange of documents confirming the freedom of Russian action in eastern Europe, and more definitely fixing the gains to be granted to France in the west; France is to have not only Alsace-Lorraine, but also the coal-fields of the Saar and iron mines formerly belonging to the old Duchy of Lorraine. All other territories of the German Empire on the left bank of the Rhine are to be freed from 'all political and economic dependence' on Germany, and formed into a new self-governing State, which is to be occupied by French troops till all these changes are completed. (Thus *inter alia* Aachen and Cologne, Treves, Coblenz, and Mainz were to become cities of this new Rhine State under the protection of France.) A final note from the Russian Foreign Office, signed by Isvolsky, is dated the 11th March 1917. It mentions the arrangements made for Russia's possession of Constantinople and the Straits, and a free hand in settling the new eastern frontiers of Germany and Austria. Four days later came the Revolution at Petrograd, but the

Provisional Government accepted all these arrangements and the secret treaties were not repudiated till the Bolsheviks came into power in the autumn.

The treaty with Britain, Russia, and France which brought Italy into the war was signed in London on the 6th April 1915. It is notable, amongst other points, for the fact that it was the first of these treaties to mention war indemnities. Article 11 declared that 'Italy is to get a share in the war indemnity corresponding to the magnitude of her sacrifices and efforts'. Meanwhile (Article 14) Britain undertook to facilitate the floatation of an Italian loan in London of at least 50 millions sterling. At the end of the war Italy was to annex not only the partly Italianized Trentino, but all the German-speaking Tyrol up to the crest of the Brenner Pass; also Trieste and Pola, and the greater part of Dalmatia with its coast islands. The rest of the Austrian possessions east of the Adriatic were to be divided between a new State of Croatia and Serbia and Montenegro. This hardly accorded with the principle of protecting small nationalities, for of the 600,000 inhabitants of Dalmatia at most only 3 per cent. were Italian. Austria was to be entirely cut off from the sea. Albania was to remain an 'independent Mohammedan State', but Italy was to control its relations with other Powers and to annex the port of Valona and the adjacent district. Italy was also to have a share in the partition of the Ottoman Empire, and in the case of other Powers extending their African dominions was to have her share in the German colonies. It was stipulated that the treaty was to be kept secret, and Article 15 set forth that:

France, Great Britain, and Russia pledge themselves to support Italy in not allowing the representatives of the Holy See to take any steps in the matter of the conclusion of peace or the settlement of questions connected with the present war.

Sonnino, at the time in charge of the Italian Foreign Office, has been credited not only with the authorship of this clause, but also with having, years before, when he was in office, insisted that the Holy See should have no part or influence in the first Peace Conference of The Hague. If the coming of peace

was to mean a general sharing of the expected spoil among the victors on the lines of the secret treaties, one may well feel that the Holy See could take no part in the future Peace Congress. But it was folly to suppose that any secret treaty could silence its voice on the world-wide questions of peace and justice. Clause 15 of the London treaty did not prevent England sending a permanent Legation to the Vatican and France renewing the diplomatic relations interrupted since the crisis produced by the 'anti-clerical' Combes ministry more than ten years before the war.

When the London treaty was signed France, Britain, and Russia were already discussing the question of what were to be their 'spheres of influence and territorial acquisitions' in Asia Minor and the Near East. The final arrangement provided for Italy's share. We find it embodied in a Memorandum of the Russian Foreign Office dated the 6th March 1917. England was to have Mesopotamia and two ports on the Syrian coast (Acre and Haifa). Russia, besides Constantinople and the Straits, was to have four Turkish provinces in north-eastern Asia Minor, extending from the Black Sea to the hill country at the head-waters of the Tigris and Euphrates. France was to have Syria and the adjacent province of Adana, including the rich Cilician tobacco and cotton districts, with territory extending north-west to the new Russian frontiers; Italy's share was to be south-west Asia Minor from Smyrna to the Cilician borders, with the adjacent Greek islands of the Archipelago. Palestine and its Holy Places were to be a separate territory under a régime to be settled by, and apparently shared by, England, France, and Russia. The territories between Syria and Mesopotamia were to be ruled by an Arab State or confederation of States.

Further steps for the partition of Austria-Hungary were taken when the Allied treaty with Rumania was signed on the 12th August 1916. Rumania's price was to be the annexation of Transylvania and the Bukovina, and of Hungary proper as far west as the river Theiss. Nearly 50 per cent. of the territory of the Hungarian monarchy was thus to be alienated.

No wonder that Prince Sixte de Bourbon's mission and the peace message of the young Emperor of Austria ended in failure. It would have been more honest if the Allied premiers had told the envoy that nothing could be done, for they were already pledged to the partition of the Austro-Hungarian dominions, and Austria itself was to be reduced to a mere fifth-rate State. There was to be no peace of reconciliation such as President Wilson still spoke of even after America entered the war in the spring of 1917. There was to be war to the bitter end and, though Russia was crippled by Revolution, the Western Allies could now count on armies of millions being before long brought across the Atlantic to fight not for Wilsonian ideals, but for the policy shadowed forth in these secret treaties.

Efforts for peace continued during 1917. Through all the war years Switzerland had been an island of peace amidst the deluge of strife. Its citizen militia guarded its frontiers from violation. It was well that it had this safeguard, for there were sad memories of the old wars of the French Revolution, when it became the battle-ground of warring nations and then lost its freedom under a French 'protectorate'. In the later years of the Great War, thanks to the kindly initiative of the Holy See, its health resorts, long barred from the annual flow of tourists, became refuges to which invalided prisoners of war were transferred under parole from the internment camps of central Europe. A little town in the upper Rhone valley was for months a neutral exchange centre for the correspondence of the Holy See with the Catholic world. In the latter part of 1917 Switzerland supplied a neutral ground on which official or even non-official envoys from the belligerents could meet without attracting public attention or committing their governments to any definite engagement. The quest was for some kind of a conference that might find a basis of peace. In August 1917 Count Revertera, of the Austrian Foreign Office, thus met a French semi-official envoy. In the same month a Belgian agent met the French ex-premier, M. Briand, in Switzerland, showed him a note outlining a basis of negotiation that Germany was ready to discuss, and asked Briand to arrange with his government for a fully

authorized German envoy to meet him on this neutral ground. Briand thought this a useful opening and asked his government for authorization to proceed farther. But Clemenceau absolutely forbade it. He was complaining that Austria was 'worrying France for peace'. At all costs he meant war to the end. In December there was a much more important meeting between General Smuts and Count Mensdorff, a friend of England, who had been for ten years (1904 to August 1914) Austrian ambassador in London. Once more there was no result. The mutual engagements of the Allies and the secret treaties barred, like a wire entanglement, any pacific advance.

Yet it was clear that not only in Austria but also in Germany there was a growing movement for peace. Benedict XV's appeal of the 1st August had been issued with well-founded belief that the time was favourable for such an effort. In June the German Chancellor, Bethmann-Hollweg (whose name was associated with the origins of the war), resigned after the Reichstag had passed a resolution declaring that it must have a decisive part in any coming peace arrangements and accepting some of the leading points in President Wilson's scheme of a settlement. After the brief chancellorship of Michaelis (a civil service official) the Emperor appointed as his successor George Hertling, the Bavarian Prime Minister. He had been for some time, in the pre-war years, the leader of the Catholic Centre party. He was a scholar of European reputation, and it was well known that he had all his life been opposed to the predominance of the militarist groups in German affairs. He had a solid majority in the Reichstag formed of the Centre, the Progressives, and the moderate Socialist party, the same group that had carried the June peace resolution, Hertling speaking for Germany and Czernin for Austria, and he made in the late autumn an effort to arrange through President Wilson a discussion of peace terms. The German Chancellor suggested to France and Britain that at least, even while the war continued, there should be a private conference between delegates of the opposing Powers for an 'exchange of views'. Once more there was no result. In the war press of the Western

Allies and the militarist parties in Germany the two chancellors were denounced in France and England for an attempt to sow disunion among the Allies by their appeal to Wilson, and in Germany for acknowledging defeat on the eve of a great effort to secure a German victory that would make the conditions of peace more favourable to the Fatherland.

It was not till some weeks later that, in the early days of 1918, the Soviet Government published the result of its researches in the Petrograd Foreign Office, which revealed war objects of the Allies differing very widely from Wilson's 'Fourteen Points' and his vision of a 'peace of reconciliation'.

There is a whole library of controversy over the question of who was responsible for the coming of the Great War. It is a problem that has assuredly not found its solution in the clause of the Versailles Treaty that laid all the guilt on Germany. There might well be a further debate on the question of who was responsible for prolonging the horrors and miseries of the war and especially for making peace impossible in the second half of 1917. It may, of course, be granted that in addition to the far-reaching causes of failure already enumerated there was an obstacle—not, indeed, to peace, but to a dictated peace—in the fact that in these autumn months of 1917 the militarist groups on both sides were hoping that in the coming year the whole situation would be altered in their favour. The German war leaders counted on accumulating on the western front, with reinforcements from eastern Europe, the striking force for a decisive victory before the American Armies could come into the field, while France and England counted on millions of reinforcements from across the Atlantic, and held that, even if the enemy won some local success in France, by 1919 at the latest the exhaustion of the Central Powers and the overwhelming superiority of numbers on the side of the Allies would bring a decisive victory—probably on German soil—making an unconditional surrender of the enemy inevitable.

As we have seen, success came sooner than they anticipated, but it was a success that made Wilson's peace of reconciliation impossible and led to a peace dictated at the point of the

sword—fruitful only in years of trouble and disaster for all concerned.

Of the destruction of life and the infliction of suffering in the four years of war there is not, and there probably never will be, any complete and reliable statistics such as we possess for so many of the earlier wars. For the Great War we have only rough estimates on this matter, and it is not unlikely that their awful totals are below the grim reality. It has been estimated that, taking all the fighting fronts, at least eight million men lost their lives on the battle-fields and in the long-continued daily and nightly warfare of the trenches. If we add to this deaths from wounds, disease, and exposure the total number of lives lost must have been at least twenty millions. Millions more were crippled for life or enfeebled in body and mind. Long years after the last shot was fired there are still in the hospitals, refuges, and lunatic asylums of the world numbers of men crippled, maimed, blinded, or with brain and nerve wrecked into madness. Of the toll of life and health among non-combatants there is no possible estimate. The world had never before seen such an organized destruction of human life.

After noting such terrible facts as these it seems something of an anti-climax to refer to the waste and destruction of wealth and property to the amount of thousands of millions. It is strange that while it requires endless efforts to provide the means for establishing and carrying on the noblest and holiest of enterprises, money for munitions and the conduct of war is poured out by millions without a moment's hesitation, and the energies of hundreds of thousands of workers are paid for at high rates to prepare the means of destruction. But one point must be noted—there was a misleading theory during the Great War that, costly though the victory might be, the victors could impose on the vanquished the impossible task of paying for all this outlay, so that, if successful, war would be a most profitable venture. The very attempt to realize this theory has involved all the nations concerned—victors and vanquished alike—in endless disaster. Had the experiment succeeded it would have meant reducing the defeated peoples for two generations at least to the

condition of serfs labouring for the victors. In the old days of paganism it was not uncommon for the defeated people to be sold into slavery—this for instance was the fate of thousands of the citizens of Carthage who survived the siege and destruction of their city in the Roman conquest of Africa. The statesmen who drafted the Treaty of Versailles thought they had found a way of levying a ruinous toll on the labour of their defeated opponents, with no limit to be fixed but the possibility of exacting the full amount.

No one will deny for a moment that war, like every other great trial of human life, has its ennobling aspects. Such are the self-sacrificing courage of those who face death and endure suffering under the influence of a high ideal or at the call of duty; or again the brave devotion of those who minister to its victims and do what is possible to mitigate its horrors and alleviate its miseries. But there is a dark shadow of the sword in the widespread demoralization that results from a long war. Only ignorance of ugly facts or poetical idealism will deny this.

One immense loss inflicted upon France by the war must be briefly noted. There was an outcry of indignation when German shells wrecked the glorious cathedral of Rheims. Nothing was said of another cathedral, that of St. Quentin, reduced to ruin by British and French artillery, or of the hundreds of village churches destroyed in the battles of the western front. These were losses that have mostly been repaired. There was a heavier loss for the religion of France of which little was heard. In the first years of the century the 'anti-clerical' Combes Cabinet abolished the exemption from military service till then granted to priests and students training for the priesthood. In many continental armies a certain number of priests and pastors of other Christian churches are called up for war service, but they serve only as army chaplains and helpers in the ambulances and hospitals. In France they were obliged to serve as combatants. At the mobilization of 1914, after the new law had been in force for over twelve years, many thousands of priests and clerical students were called up and embodied in the fighting line. Hundreds of parishes were left

without pastors. For five years no priests were ordained, for the seminaries of all the dioceses closed down. Priest-reservists were called back from the missions of Asia and Africa. Priests and clerics served with devoted courage and many rose to high rank, but many more were killed in action or crippled for life. Only the older priests were left in their parishes, and many died or were invalided during the war years. After the war it was impossible to supply priests for hundreds of parishes, and some are to this day without pastors. It was a more lasting loss to the Catholics of France than the destruction of the churches.

It is a widespread popular delusion that peace came to the world with the armistice of the 11th November 1918, or at latest with the treaties of the following summer. But the world conflict of 1914-18 was immediately fruitful in many wars, several of which were direct local continuations of the great 'war to end all war'. The governments of the Western Allies took a direct part in or indirectly promoted some of these sequels to the war, while their envoys at Versailles were laying down the plan for an international League of Peace.

There has as yet been no attempt to give the reading public any full account of these wars. At the time the press of England and the Continent took note only of some sensational incidents, for the 'World War' was over, the nations were making peace, and there was little public interest in the minor wars of the time, though there were moments when the world's interests were involved and great armies were at times in conflict in a vast region extending from eastern Asia to the border lands of central Europe.

There had been hopes of a time when the force of law would supersede the force of arms, but armed force often set in action by partisan groups of individuals or the dominant men in this or that government, with scant reference to any popular or constitutional mandate, kept the war fires ablaze.

Till the end of September 1919 British naval, military, and air forces were active in northern Russia in the White Sea region and far up the northern Dvina river. Their later acti-

vities were part of an ill-advised, and ultimately disastrous, attempt to effect a counter-revolution in Russia; many nations were engaged in the operations, Japanese, 'White' (i.e. imperialist) Russians, an army of 35,000 Czechoslovaks formed by arming the war prisoners in Siberia, besides British and French auxiliaries. History was repeating itself. In 1792 several of the European Powers combined in an effort to suppress the revolutionary movement in France and restore the old monarchy. Their military operations were ill directed and their royalist crusade produced a popular rally of the French people so that instead of crushing the revolution the Allied Powers made the Republic. Much the same thing happened in this new war in Russia. During the closing weeks of the Great War the Russian admiral Koltchak was organizing his mixed forces in Siberia, breaking up the local Bolshevik Soviets, getting control of the railway, and preparing for a march across the Urals in the spring of 1919. That was a year of peril for the Bolshevik Government. Koltchak's vanguard was invading northern Russia; the British were pushing up the Dvina. The French had occupied Odessa, and a 'White' Russian army, with some British tanks in its service, was moving up from the south under General Yudenitch. But there was neither a central direction in the effort to stamp out the new and still only partly organized Bolshevik power, nor any methodical conduct of the divided enterprises of the leaders. There seems also to have been no attempt to win the masses of Russia to the White movement. Lenin and Trotsky were able to organize an effective resistance by calling on the local Soviets to unite the people in an effort to avert a return of Tsardom with the confiscation of their lands and the vengeance of military adventurers on all who had won the 'new freedom'. There was swift terrorism to awe any slackers, and there were officers of the old armies who, after four years of war, were ready to organize the resistance to the White invaders. Before Koltchak had advanced far enough to combine effectively with Yudenitch the southern leader made a dash for Petrograd and was defeated only when the roar of his cannon could be heard in the capital. Koltchak's advance

was paralysed by risings along his line of communications, the 3,000 miles of the Siberian railway. The autumn of 1919 saw the remnant of Yudenitch's forces driven back into southern Russia. Koltchak's army was making a disorderly retreat through Siberia, with resistance blazing up around him, and the movement of his army utterly disorganized by whole regiments seizing trains assigned to others in order to hurry eastward, sometimes abandoning them on a siding when fuel ran short. In November Omsk, which had been the capital of the White movement, was in the hands of the Bolsheviks. Koltchak proclaimed Irkutsk, 1,250 miles farther east, his new capital. Early in the new year of 1920 he resigned his command to Denikin. Irkutsk went over to the Reds, and Koltchak was betrayed to them by some of his own followers. On the 7th February he was condemned to death by a Bolshevik court-martial and shot at Irkutsk.

In the same month of February 1920 the mixed Allied force that held Odessa was withdrawn and the ruined seaport city was occupied by the Bolsheviks. A remnant of the White army was holding out farther east under Wrangel. They were driven back into the Crimea. By the autumn the hopeless White campaign ended. Wrangel's army and a mass of White fugitives were embarked on Allied transports and warships and the Red flag with its device of the sickle and hammer was hoisted on the forts of Sebastopol. Some 120,000 soldiers and refugees, including an immense number of women and children, were brought to Constantinople to be gradually distributed in new homes in Europe and the Near East.

The tragic failure of the White crusade had consolidated the Bolshevik power. One of its most momentous results was to draw together under Lenin's central government all the local Soviet Republics in Europe and Asia. One disastrous loss was the downfall of the Republic of the Ukraine. Its government in the holy city of Kieff, though it was based on the Soviet (i.e. local committee) organization, was at the outset in the hands of moderate men, who were opposed to the anti-Christian policy of the Petrograd and Moscow Bolsheviks. It was the

folly of the White leaders that they treated all who were not Tsarists as rebels.

There was another parallel with the times of the great French Revolution in the fact that the Bolshevik Government had called on 'the workers' of other nations to follow the example of the Russian revolutionary movement. The widespread misery resulting from the long war had prepared the way for its propaganda of revolt. There was civil war in Finland, and Communist outbreaks in Berlin, in south Germany, and in Hungary, Pesth, the capital, was for some weeks in the hands of a Soviet government under the dictator Bela Kun. Hungary had been disarmed and the Soviet revolt was crushed out by a converging march of Czechoslovak and Rumanian armies on the Hungarian capital. An Allied mission arranged for a prompt withdrawal of the victorious armies. The Rumanians are said to have carried off with them an immense quantity of requisitioned booty of all kinds, from typewriters and other appliances of the government offices to cattle from the farms.

The new Republic of Poland had rapidly formed a large army of volunteer levies and officers and men from the Polish troops of the former Austrian, German, and Russian imperial armies. While the Versailles Congress was discussing the future boundaries of the Polish State, Polish nationalists put forward claims to lands that had been ruled from Warsaw in the centuries when the kingdom included Lithuania and wide territories in the Ukraine; the Russian borderland Lithuania had been erected into an independent State, but a Polish general seized its historic capital Vilna, claiming that it was a Polish city, and Poland still holds it despite the protests of the sister Republic, which still officially describes Kaunas (Kovno) as only its 'provisional capital'. There was a conflict between Poles and Germans for south-eastern Silesia. It was finally partitioned by the Allies after a plebiscite carried out under the protection of French and British forces. More serious was the claim put forward by the Warsaw Government for a far eastward extension of its territory into the Russian Ukraine. Taking advantage of the Soviet conflict with the White armies, the Poles pushed forward north

and south of the Pripet marshes and occupied Kieff. As the White armies collapsed the Soviet Government concentrated a large force against the new Polish front, and in the summer months drove the Polish armies back for hundreds of miles. At last, in July 1920, as their northern and southern armies converged in the heart of Poland for an attack on Warsaw, the situation seemed so perilous that with one exception (the Papal Nuncio, the Archbishop Ratti, now Pius XI) the ambassadors left the city. A military mission of British and French officers, the most important of whom was Foch's chief-of-the-staff General Weygand, had arrived to assist Marshal Pilsudski, the Polish commander-in-chief. It was decided to meet the Soviet advance by a counter-attack. This began on the 14th August and ended in the victorious 'Battle of Warsaw'—actually a series of battles on a front of over 100 miles, lasting for several days: one of the great battles of our time. The Russians were completely defeated, losing some 70,000 prisoners and hundreds of guns. More than 100,000 were driven into east Prussia and disarmed. The Polish pursuit was continued for nearly two hundred miles. It was a surprising success, coming after months of defeat, when the outlook seemed all but hopeless and the prospect was that Poland would become a province of the Soviet State and a menace to all central Europe. Not without reason the Battle of Warsaw, which stayed the advance of victorious infidel revolution into the heart of central Europe, has been compared with Charles Martel's victory of Tours that stayed the flood of Moslem invasion in the west a thousand years before.

There was also war, and for a while war on a grand scale, in South Western Asia during these years after the armistice of 1918 and the Peace of Versailles. There had been an armistice between Turkey and the Allies in October 1918, followed by an Allied occupation of Constantinople and the Straits while terms of definite peace were discussed. Turkey, like all the other defeated States (Germany, Austro-Hungary, and Bulgaria), was to be disarmed, and the Sultan's government made no difficulty in recognizing the fact of conquest, and was ready

to waive all claims to the Arab lands of Asia and the last vestiges of old rights throughout northern Africa. This would leave for the Ottoman Empire only Asia Minor, with Constantinople and some small remnant of adjacent territory. But the Allied negotiators had to take account of the arrangements sketched out in the secret treaties of 1915-17. Britain was secure in the occupation of Palestine and Mesopotamia, Russia was out of the account, but France and Italy had claims, and there was a further claimant in Greece, which had joined the Allies in the last year of the war.

In the original scheme for the partition of the Turkish Empire south-western Asia Minor was to have been Italy's 'sphere of influence'. This was now divided between Italy and Greece. Already in April 1918 the Italians had occupied the port of Adalia on the south coast. Farther west the French landed troops in Cilicia and occupied Adana, the capital of the Turkish province. On the 15th May 1920, under the protection of British, French, and American warships, a Greek army landed at Smyrna, the most important port and city in Asia Minor. There was practically no resistance but some of the Greek regiments got out of hand and there was sack and massacre in the Turkish quarters of the city.¹

One of the worst mistakes of the Allies was the idea that the Turks were at their mercy and that the remnant of their dominions in Asia could be as easily partitioned as the lands they had lost in Europe in the century of their declining power since the Greek War of Independence. No real importance was attached to a nationalist movement which had begun after the armistice of 1918. There had been meetings of Turkish notables at various centres in Asia, gatherings of officers and civilian politicians, whose nationalist resolutions were regarded by the Allies and the Sultan's supporters at Constantinople as mere wordy protests. But the Turks of Asia, for centuries the stronghold of their race and the best recruiting ground of their army, were

¹ The League of Nations was as yet only in the organization stage, and the occupation of Smyrna and many other important Allied actions of the time were carried into effect by warrant of Conferences of the Allied ambassadors or of special envoys acting under instructions from their governments.

organizing for action. There were still considerable undemobilized Turkish forces in Asia Minor, and in the summer of 1921 the Sultan sent a 'military high commissioner' to report on army matters and deal with the nationalist movement. The commissioner was one of Turkey's best fighting men, General Mustapha Kemal Pasha. He had taken a leading part in the successful defence of the Gallipoli Peninsula in 1915, and no soldier in Turkey had a higher and more popular reputation. He had been for some time secretly in touch with the nationalist leaders. On his arrival in Asia he met some of their chiefs, and with them drafted a declaration that, as the Sultan was now a mere puppet in the hands of the Allies, the Turkish people must stand together against the policy of partition and subjection to the European Powers. He sent to Constantinople his resignation of his army position, and in June presided at the nationalist Congress of Erzerum. A second and more numerous Congress at Sivas in September decided that delegates should be selected for a Constituent Assembly to meet at Angora. Fuel was added to the rising flame of the new movement when, in January 1920, the Turkish Parliament in Constantinople, largely composed of members elected in Asia, passed resolutions sympathizing with the action of the congresses, and the Sultan replied by sending the police, supported by Allied troops, to make wholesale arrests of the nationalist sympathizers in the capital. Some of them were arrested in the Parliament House.

On the 23rd April 1920 the Nationalist Assembly met at Angora under the presidency of Kemal Pasha and proceeded to draw up the constitution of a new Turkish State. On the news of the Greek seizure of Smyrna in May Kemal Pasha was named commander of the nationalist forces and directed to organize the defence of the nation. His first task was to deal with attempts promoted from Constantinople to raise an insurrection in the neighbouring province. Next month the Greeks, who had assembled some 200,000 men in Asia and had already advanced into the country round Smyrna, began what in earlier days would have been regarded as war on a grand scale against the Angora Government. There was a strange situation. The

Allies were negotiating a treaty of peace with the Sultan, and completing their agreements as to future 'spheres of influence', while declaring their neutrality in the new war, and marking out a neutral zone on the land side of their positions on the straits and the sea of Marmora. Kemal sent an envoy to London, but he was not recognized and went away after waiting for weeks for an interview with any of the Cabinet.

The Greeks won some successes in the early summer and by July they had advanced as far as the upper valley of the Sakaria river. But Kemal's forces were heavily reinforced, and in August he counter-attacked and thoroughly defeated the Greeks in a hard-fought battle on the line of the Sakaria.

He did not follow up his success, and there was for a while an informal truce and attempts at negotiations. Kemal was arranging a friendly alliance with Soviet Russia, and the first-fruits of this combination was a combined attack on the Republic of Georgia in Transcaucasia and the new Republic of Armenia created by a resolution of the Versailles Congress. The Turkish invasion of Armenia was marked with a series of massacres of the mountaineers, who were counted by the victors as mere rebels. The Kemalist and Soviet forces joined hands on the old borders of Transcaucasia. Most of Armenia was handed over to the new Turkey by a treaty with the Soviet Powers and what was left of the little country was re-organized as one of the Soviet republics, while Georgia was Bolshevized on the same lines.

The French Government, weary of guerrilla warfare in Cilicia, anxious to consolidate its new Syrian possessions, and abandoning all idea of a French sphere of influence in Anatolia, concluded a convention with Angora which marked out a frontier between Syria and Asia Minor, and handed Cilicia over to the Turks. Kemal had declared that there could be no peace while any Allied forces remained in Asia Minor.

In the following year the Greek commissioner at Smyrna proclaimed the territory still held by the army of occupation to be a self-governing State under Greek protection. In August Kemal and the Angora army brought the new Greek province

to a tragic end. He crossed the Sakaria, routed the Greek army, pursued it to the coast, giving many towns and villages to the flames and driving before him masses of ruined fugitives. On the 9th September the Turks occupied Smyrna, the remnant of the Greek army and thousands of refugees embarking on a fleet of transports protected by Allied warships.

A conference at Lausanne which was in session from the winter of 1922 till far into the following year drew up a treaty of peace with the Angora Government. Meanwhile Constantinople had been handed over to its representatives and the Allied troops withdrawn. On the 17th November the Sultan Mahomet VI fled from his palace and sought safety on board a British cruiser. So ended the line of Othman after more than six hundred years of imperial power, and with this flight of the heir of a line of conquerors that had long been the terror of Europe, the caliphate, the still longer line of the successors of the Prophet of Islam, came also to its end. For the first time since the days of Constantine, the city that bore his name ceased to be a capital. Angora had replaced it as the ruling city of an Ottoman republic.

One result of these events was the transfer of some half a million Christians of Asia Minor to new homes in eastern Europe. They were replaced in Asia by an equal number of Moslems from the Balkan lands. Asia Minor had seen the first great conquests of the Faith in Apostolic times. From all this wide region the Faith was now all but banished.

These wars were not the only conflicts of the years that followed the armistice and the Treaty of Versailles. While the British army in India was not yet reorganized after the Great War the Afghans invaded the north-west. There was fighting in the borderland and British aircraft menaced Cabul, but the little war soon ended with a treaty that set the Afghan Emir free to reassert his full independence and send his ambassadors to the courts of Europe. There were revolts and disorders in Syria, Palestine, Egypt, and Iraq, and the final conquest of Morocco by France and Spain. Ibn Saud, the Wahabite ruler of central Arabia, drove the Allied protégé, the Emir Hussain,

out of Mecca and the Hejaz and the French expelled his son, the Emir Feisal, from Damascus. In China the efforts to Bolshevize the Far East and the rivalries of local war lords led to long years of strife and provided a profitable market for vast surplus stores of arms and munitions no longer required by the more peaceful powers of the west, while Japan took advantage of these chaotic conditions to embark in new warlike adventures for 'the restoration of order' in her neighbour's lands.

During the years of the Great War the guides of public opinion had sought to console the sorely tried peoples of Europe by arguing and insisting that it was 'a war to end all war'. The Congress of the victors which drew up the Treaty of Versailles unhappily made it not a peace of reconciliation but one that was fruitful in germs of future trouble and conflict. But the treaty embodied important clauses intended to secure, or at least make more hopeful, the promised world peace. A League of Nations was to be established to substitute the reign of law for the reign of force in international relations by pledging the peoples and governments that became members of it to mutual co-operation for the promotion of peace and progress, and engaging them to submit all differences and disputes to its arbitration, the League having the right to enforce its decisions by coercive measures against any Power that refused to accept them. Furthermore, while the Treaty enacted that Germany and her Allies were to be disarmed, reducing their military forces to the limits of a mere gendarmerie for the preservation of internal order, it was added that this would be only a first step to a general reduction of armaments throughout Europe and the world.

The League of Nations created by the Treaty has not brought an era of universal peace. But it has done useful work in various lines of international co-operation and successfully intervened with its good offices to avert some minor wars. It has had its failures as well as its successes, but even the highest ideals are not always fulfilled in effective practical results. It is a solid gain that it provides a permanent organization for facilitating friendly co-operation between the nations in many directions and it has already a good record of useful work.

But in one all-important point its efforts have so far given only the scantiest results. The Treaty of Versailles provided that the disarmament of Germany and other defeated Powers should be supervised by naval and military commissions of the victorious Allies and after this the general reduction of armaments should be placed under the supervision of the League of Nations, and it was set forth in the Covenant of the League (embodied in the Treaty) that 'the maintenance of peace requires the reduction of national armaments to the lowest point consistent with national safety, and the enforcement by common action of international obligations'. Though direct action on the subject was not in the hands of the League until 1925, in its Assembly of 1920 it provided for the formation of a committee of experts to collect the facts and outline a disarmament scheme. The committee presented its first draft scheme in 1921, and then there began a series of discussions and all but hopeless divergences of views as to both guiding principles and practical details of the problem.

How far could disarmament be accepted without endangering security even for the immediate future? How was the military force of a nation to be reckoned? Should it be by troops actually under arms, and how far were possible reserves to be reckoned? What about secret reserves, such for instance as peaceful aircraft convertible into scouting and bombing planes or motor-cars that could be fitted with shields and machine-guns? What was to be the basis of comparison for naval armaments, and how were such factors as aggregate displacements, gun-power, and armour protection to be balanced, and what was to be the rate of new constructions to replace short-lived battle-ships and cruisers?

Obviously there was ample room for debate, and in various forms the discussion has gone on for years in special committees and in the Assemblies of the League. It must be regretfully noted that progress has been largely impeded by experts who spoke for France continually insisting on any reduction of her armaments being regulated by considerations of 'security'.

Yet France remains the greatest military Power in western

Europe, and she obtained special guarantees for the safety of her new frontier towards the Rhine, in addition to those provided by the drastic disarmament of Germany. A great act of peace was accomplished at the congress of the western and central European Powers that met at Locarno in 1925. It was there agreed that Germany, hitherto excluded from the League of Nations, should be admitted to its membership, and a treaty was signed by which the representatives of the German Republic pledged themselves to make no attempt of any kind to alter the new frontiers of France and Belgium defined by the Treaty of Versailles, and to have recourse only to friendly negotiation for any future revision of the eastern frontiers of Germany. Further, as a guarantee for peace in the West, it was solemnly agreed that if unhappily Germany should break this engagement and attempt an aggressive war with France, or if France should commit a similar aggression against Germany, England would be bound to act as the ally of whichever of the two States was the victim of aggression.

Though the general reduction of armaments provided for by the Versailles Treaty appears, despite endless debate, unlikely to give any practical result, there have been some agreements on points of detail. There is a ban on 'chemical warfare' (a ban of doubtful value), and in the naval sphere agreements between some of the leading sea powers that seemed for a while likely to prevent the further outlay of millions on gigantic 'Super-Dreadnoughts'.

Efforts had been made to clear the way for disarmament, or more strictly speaking, the general reduction of armaments, indirectly, by an international ban on war. A movement for this object had obtained influential support in the United States, when in the summer of 1927 M. Briand, who in his latter years had been an earnest worker for peace, proposed that a treaty solemnly renouncing war as an instrument of policy in the relations between France and America would be welcomed by both peoples. Mr. Kellogg, the U.S. Secretary of State at Washington, not only welcomed the proposal, but suggested that an effort might be made to secure the adhesion

of other governments to such a pact. The result of the negotiations that followed was the signature at Paris on the 27th August 1928 of the treaty for 'the renunciation of war as the instrument of national policy', popularly known as the 'Kellogg Pact'. The signatories represented France and the United States, England and each and all of the British Dominions, Germany, Italy, Japan, Belgium, Poland, and Czechoslovakia.

The governments that signed the treaty 'solemnly declared in the name of their peoples that they condemned recourse to war for the solution of all disputes or conflicts, and renounced it as an instrument of national policy, and agreed that the solution of any disputes arising amongst them must be sought only by pacific means, and further invited all other nations to adhere to this pact'. In the following months several such adhesions were received.

The conclusion of the treaty was hailed by the world's press and public opinion as an epoch-making act of peace. It certainly was a manifestation of the growing desire for peace among the nations but, while in no way underrating its importance in this respect, one may well fear that it is not unlike some of those admirable resolutions that men make from time to time to 'turn over a new leaf' and begin an earnest effort to live an upright life before God and man, without at the same time deciding on some practical steps in the way of earnest effort and definite self-sacrifice. For despite the solemn 'renunciation of war', the dreary debate over 'security' and the reduction of armament continued year after year from one General Assembly of the League of Nations to another. Meanwhile the experts of all the great nations continued their researches and experiments for the development of the weapons of mutual destruction. The lessons of the Great War and the experiences of later wars were carefully studied to provide new methods of warfare to utilize with the improved armaments of future wars. There has been a ban on chemical warfare, but study and experiment are still officially devoted to the attack and defence in gas warfare on the plea that there can be no real certainty that, under the stress of warfare, fleets and armies will not again have recourse

to it. France, with the twofold guarantee of the Locarno Treaty and the Kellogg Pact, has spent millions of money and years of labour on a new fortified barrier extending from the Luxembourg border to the Swiss frontier, an entrenched line designed in the light of lessons learned from the entrenched fronts of the great stalemate in France and Flanders, with its broad and deep ditches and extensive minefields intended to bar the way of an attack by tanks, the terrible war chariots of modern days. The proof given in the Great War that with 'intensive training' it is possible, in a twelvemonth, to form battalions and divisions of all arms for service in the field has led in many countries to a reduction of the period of service with the colours for the part of the annual levy of recruits to a year or a year and a half, officers, selected sergeants, and some experts being the only long-service troops. The result is that, even where in any given year the regular army in barracks and training camps is smaller in numbers than it was in 1914, the strength of the reserves is growing more rapidly than in the pre-war years.

Besides their regular armies many European governments maintain also large armed police or gendarmerie organizations, and in several instances there is also a local militia. In the new Italy militarism has become a feature of national education and a duty of citizenship. The 'Balilla' or Boy Scout organization under the Fascist régime has become an education for soldiering from the elementary schools upwards, and on reaching manhood the young men are enrolled in thousands in the 'Fascist Militia', the ceremony of enrolment including the presentation of a rifle, and militia battalions take part in the annual army manoeuvres, besides having frequently war training with the local garrisons. If we add to this that in several countries there are patriotic or party associations organized on military lines, one realizes that the disarmament question is further complicated by the difficulty of estimating the trained and partly trained forces that supplement the reserves of the regular army.

Moreover, it is misleading to compare the military statistics of any country to-day with the totals for the years before 1914, for except for the few countries disarmed by the Versailles

treaties the forces of the present day, despite the 'outlawry of war' and the *pledge* of disarmament, are more formidable fighting organizations than those of the earlier period. Two all-important developments of the Great War were the beginnings of the 'mechanization' of armies and the immense progress of military aviation.

The former had its small beginnings much earlier than the first appearance of the 'tanks' on the Somme battle-fields in September 1916. The start began when Von Marwitz's cavalry in Belgium in 1914 brought with it a few civilian motor-cars armed with machine guns and the British at Ostend sent out raiding motorists with similar weapons, and when hundreds of London motor-buses were sent to France to save infantry the slow weariness of marching, and the military vocabulary was enriched with such terms as to 'embuss' and to 'debuss'. In the armies of to-day a variety of motor vehicles, armed and unarmed, have their place in the fighting line and in the whole region of transport, supply, and movement of troops. The annual manoeuvres are largely devoted to working out the new tactics of 'mechanized warfare', and the enormous development of motor traffic of all kinds provides an immense civilian reserve of useful recruits for an army on mobilization, for the ordinary familiarity with the power-driven car in peace time supplies a preliminary training for practical work in war.

In 1914 aviation was in the elementary stage of its development. The four years of war gave it a greater impetus than twenty or thirty years of peaceful progress could have supplied. And since the war the efficiency of aircraft, and their multiplication in special types and ever-growing numbers, has increased year by year, both in the armed forces of nations and in their civil life. The coming of the aeroplane has been the greatest revolution in warfare since the invention of gunpowder. There is no need to labour the point. The marvellous progress of the new arm has completely altered the conditions of war on land and is most surely destined to alter even more decisively those of war on the sea. There have been proposals for the abolition of the submarine by a common agreement among governments.

It may yet be abolished by the seaplane making it obsolete. In the spring of 1915 there was an incident that passed all but unnoticed at the time—the sinking of a ship by a bomb from a flying enemy. Air attacks will undoubtedly play a large part in any future warfare against commerce, and it may be that Jutland was the last of purely naval battles on a large scale, for the very existence of war fleets will depend on some limited immunity from air attacks, and already battleships and large cruisers are provided with deck armour and anti-aircraft guns.

In our survey of naval and military developments since the close of the Middle Ages we have seen that the record of four centuries has been that of a continual increase of the scope of warlike operations and of the organized forces, embodied or available, which on the eve of the Great War had at last converted Europe into something like an armed camp of forces grouped in alliances for the greatest of all wars. Despite the horrors and losses of that war and the burden it has imposed on the civilized world, one must regretfully confess that, notwithstanding the peace movements that followed the war, the nations of Europe are now more formidably armed and organized for conflict than they ever were before.

No mere treaties of guarantee or international renunciations of war as an instrument of policy can alter this situation. Japan, the greatest of Far Eastern Powers, a member of the League of Nations and a signatory of the Kellogg Pact, has embarked on an armed policy of annexation, camouflaged as a mere series of operations to protect the lives and property of its subjects in Manchuria and northern China. It formally recognized the 'independence' of the new government set up in Manchuria under the protection of its bayonets, and in smooth diplomatic phrases informed the delegates of the League of Nations that there can be no occasion for their inquiries and no tolerance for their interference.

Japan withdrew from the League, but still retains possession of the Pacific islands placed under its direction by a mandatory act of the League which it has renounced. In Europe Adolf Hitler has used his armed Nazi militia to secure his dictatorship

of Germany, re-armed on an ambitious scale, and withdrawn from the League of Nations. Mussolini has made militarism an essential factor in his Fascist dictatorship, declared that Italy must launch out upon the making of a new Roman Empire and defied the unanimous censure of the League of Nations on his aggressive war of conquest in Abyssinia.

These developments give sufficient warning that we are still far from the hoped-for time of secure world peace. The present day has its special dangers. Not the least of these is the existence of a new Power, dominating vast regions of Europe and Asia, militarist in its organization, proclaiming itself a power of aggressive atheism, and carrying on an insidious propaganda against every ideal of Christian civilization in other lands, and organizing for the overthrow of all that the world has gained in nearly two thousand years of Christian progress.

This menace makes it more important than ever that the nations that still value the heritage of the Christian past should not be divided by mutual strife, but should seek peace and union in the light of the ideals to which they owe all that is best of their possessions.

Material disarmament is a need of the time, but in his work for peace the greatest teacher of our day, Pius XI, has insisted that still more important is that 'mental' disarmament that can best protect the peoples from dissension, hatred, and all the seeds of strife. He has pointed the way to a more peaceful future in putting forward as the guide for mankind in these perilous times individual and associated effort to promote 'the Peace of Christ in the Kingdom of Christ'—*Pax Christi in Regno Christi*.

INTERNATIONALISM

By RICHARD O'SULLIVAN

And there was also a superscription written over Him in letters of Greek and Latin and Hebrew.

THERE is a strange fitness in this converging on the Cross of the literature of Greece and Rome and Israel, for Calvary marked the fusion, under the fire of charity, of the characteristic elements of the older civilizations. In the centuries to come the theology of Israel and the philosophy of Greece (alike of Plato and of Aristotle) and the law of Rome were to be equally and in turn taken into the service of the Son of Man.

This converging and interpenetration of the universal elements of ancient civilization brought a new revelation of the dignity of human nature and of the spirit of friendship that is proper to mankind. A feature of life in the ages of antiquity had been the distinction that was drawn between nation and nation and between man and man, between citizen and stranger and between freeman and slave. In the early days of Roman history the word *hostis* meant at one and the same time 'stranger' and 'enemy'. The law of the Twelve Tables, which was the fruit of a commission to Greece and which transferred and broadened the basis of Roman Law from *gens* to *urbs*, re-echoed the eternal enmity between Greek and barbarian: *adversus hostem aeterna auctoritas esto*. In the early republic, we are told by Sir Henry Maine, the principle of absolute exclusion of the foreigner pervaded the civil law no less than the constitution. In fact, the foreigner had no part in the *jus civile*; he was refused the *jus connubii* and the *jus commercii* as well as the *jus suffragii* and the *jus honoris*.

And although in the words of the great authority on Ancient Law the foreign element in the commonwealth determined the course of its history which at all its stages is little more than a narrative of conflict between a stubborn nationality and an alien population,¹ yet at the latest stage of the development of

¹ Maine, *Ancient Law*, p. 55.

Roman Law there survived in the Digest the text of Pomponius which was never formally repealed or abrogated: 'Nam si cum gente aliqua neque amicitiam neque hospitium neque foedus amicitiae causa factum habemus, hi hostes quidem non sunt; quod autem ex nostris ad eos pervenerit illorum fit; et liber homo noster ab eis captus fit servus eorum. Idemque si ab illis ad nos aliquid perveniat.'¹

The doctrine involves the negation between States that were united by no formal alliance of the most elementary rights not only of property but also of personal liberty. The text of Pomponius recalls the passage in the *Politics* of Aristotle which affirms that the union of Greek cities as of lawful right marches together to the conquest of the barbarian, and that the right becomes a duty if it is based upon force sufficient to ensure success. That is to say, in the relation between Greeks and barbarians, even in the thought of Aristotle, force is law.²

This excessive nationalism of Greece and Rome and the injustice and severity to which it gave rise in peace and war were mitigated in the course of the expanding development of the Roman power. In the actual contact and experience of life at home or abroad men became conscious of the native tie of friendship that binds man and man and evolved a new idea of hospitality and brotherhood and discovered or invented those rules which govern the relations of mankind either in the positive statement of the *jus gentium* or in the philosophical conception of the *jus naturae*. In the writings of Cicero and of the classical jurists it is easy to trace the humanizing influence on Roman Law and practice of the rules of the *jus gentium* (which came in time to be the common law of all the peoples of the Empire) and of the *jus naturae* which was conceived to be the law proper to man as man. Yet there remained and found expression in the famous passage from Pomponius the older notion of national exclusiveness and of the condition of war as the natural relation of men and States.

¹ L. xlix, t. xv. l, v 2.

² A similar distinction was drawn in Ancient China: 'Entre les quatre mers tous sont frères', Siu Tchung Pao, *Les Droits des Gens et la Chine antique*, Paris, 1926.

In contradistinction to this pagan notion the Christian ideal of friendship and of peace had been foreshadowed in the Old Testament in the verses of Leviticus: 'If a stranger shall dwell in your land and abide with you, do not upbraid him, but let him be among you as one of the same country. And you shall love him as yourself, for you were strangers in the Land of Egypt.' The ideal was fulfilled in the New Testament in the example and the teaching of Jesus Christ and in the Parable of the Good Samaritan, and in the shattering sentence of St. Paul to the Colossians: 'There is neither Gentile nor Jew, circumcision nor uncircumcision, Barbarian nor Scythian, bond nor free.'¹ He proceeds in a passage of which the letter and the spirit may be applied to the relations not only of men but also of nations: 'Put you on therefore the bowels of mercy . . . bearing with one another and forgiving one another, if any have a complaint against another. . . . But above all these things have charity, which is the bond of perfection, and let the peace of Christ rejoice in your hearts.'¹ St. Paul insisted on the essential equality of men in nature and on their essential dignity in their character of free and reasonable beings. He insisted also on the necessity for justice and charity in the mutual relations of mankind. The tendency and operation of this twofold principle of equality and justice is in the internal order of politics to abolish the absolute power of master over slave and of the State over its subjects, and thus to liberate the subject and the citizen in opposition to the essential principle of ancient *étatisme*. In the external order of politics the action of the principles of equality and of justice provided the intellectual and moral basis of a true system of international law.

By the practice of these principles the early Christians quietly wrought at Rome a moral revolution. They proclaimed a natural order of which God is legislator, with which the social order ought to be brought in harmony. They taught the equality of man in nature and even their supernatural

¹ Colossians iii. 11, 13-14. Cf. the free paraphrase by Agobard of Lyons: 'There is neither Jew nor Gentile, Barbarian nor Scythian; neither Aquitani, nor Lombard, nor Burgundian nor Alemanni.'

vocation to be sons of God. They held as brothers barbarian and slave. They affirmed the creation of the universe of nature and the redemption of the human race. They did not refuse to serve, but they did refuse to adore, Rome and the Emperor. They claimed as against the State freedom of conscience, and affirmed the duty to love God above all things and to love men out of the love of God. They appeared to be anarchists and revolutionaries. Their thought and action put in peril the pagan divinity of the State and the social rule of the rich and the strong over the weak and the poor. The Emperor and his advisers combined against these Christians, who were accused of great crimes and afterwards outlawed. But even during the period of persecution the Roman Christians made known through all ranks of society the ideals of justice and of natural law. In affirming at the peril of their life and at the price of their blood the universal rule of the One True God, the Christian martyrs enlarged the perspective of Roman order and of Roman Law. They brought it into actual touch with the mighty conception of Natural Law and with the idea of the infinite extension of a supernatural order.

The essential difference between Pagan and Christian civilization lies thus in the breaking by Christianity of the barriers that the exclusive religions of the ancient world had raised. Under the Christian régime religion was no longer a cause of difference or of separation, but became rather a bond of unity between men and nations. The strong affirmation of the dignity of man as a free and reasonable being required that he should be always treated—even by the State—as an end and not as an instrument or means. On the other hand, in virtue of his character as a free and reasonable being, man was obliged to conform to the necessities of a nature with which he had been endowed and which he had not fashioned. He was obliged accordingly to respect authority, without which the social life that his nature demanded would be impossible. Respect for personality and respect for authority: these are the two root principles of Christian social and political philosophy. The affirmation of these principles leads by way of corollary to a double denial: a denial of the unlimited freedom of the individual,

'Render to Caesar the things that are Caesar's'; and a denial of the absolute sovereignty of the State, 'and to God the things that are God's'.

The ferment of this philosophy went forth from Judea to Rome and to all the provinces of the Roman power. Under the imperial régime the city of Rome had come more and more to be a cosmopolitan centre. From the beginning of the first century of the Christian era, even the Emperor was often of alien birth or origin. Thus Trajan (A.D. 98-117) was a Spaniard; Septimus Severus (A.D. 193-211) was an African; Antoninus Caracalla (A.D. 211-17) was born at Lyons; Alexander Severus (A.D. 222-35) came from Syria; and Philip (A.D. 242-9) from Arabia. So also of the great jurisconsults of the classical period: Gaius is believed to have been an Asiatic Greek; Papinian was a Syrian; and Ulpian also. For reasons of revenue (and perhaps also of religion) Caracalla extended the Roman citizenship to all free inhabitants of the Empire. The whole world became one city.

Fecisti patriam diversis gentibus unam:
Urbem fecisti quod prius orbis erat.

This extension of Roman citizenship and of a share in her law to all the people of the Empire captured the imagination of pagan and Christian writers of the late Empire. 'She it is', writes Claudian, 'who alone has received the conquered peoples into her bosom and who fostered the human race under a common name.' And Prudentius, whom Bentley called 'the Christian Virgil and Horace', brought the universal mission of the Roman secular power into organic relation with the ideals of the Christian religion:

What is the secret of Rome's historical destiny? It is that God wills the unity of mankind, since the religion of Christ demands a social federation of peace and international amity. Hitherto the whole earth from east to west had been rent asunder by continual strife. To curb this madness God had taught the nations to be obedient to the same laws and all to become Romans. Now we see mankind living as citizens of one city and members of a common household. Men come from distant lands across the seas to one common forum

of peoples and are united by commerce and culture and inter-marriage. From the intermingling of the peoples a single race is born. This is the meaning of all the victories and triumphs of the Roman Empire: the Roman peace has prepared the way for the coming of Christ. For what place was there for God or for the acceptance of truth in a savage world in which men's minds were at strife and there was no common basis of law?

The thought of Prudentius was in line with the teaching of Eusebius, the Christian panegyrist of Constantine:

One God was proclaimed to all; and at the same time one universal power, the Roman Empire, arose and flourished. The enduring and implacable hatred of nation for nation was now removed; and as the knowledge of one God and one way of religion and salvation, even the doctrine of Christ, was made known to all mankind; so at the self-same period, the entire dominion of the Roman Empire, being vested in a single sovereign, profound peace reigned throughout the world. And thus by the express appointment of the same God two roots of blessing, the Roman Empire and the doctrine of Christian piety, sprang up together for the benefit of mankind.¹

For Eusebius it is evident that the Empire was indispensable to the Church. And indeed the Liturgy coupled together 'the enemies of the Roman name and the foes of the Christian Faith'. None the less, the two roots of blessing of which he wrote were in fact twain. There were in truth two societies or two cultures in early medieval Europe. On the one hand, there was the peace society of the Church which was centred in the episcopacy and the monasteries. On the other hand, there was the war society of the feudal nobility and their followers.

In the course of time circumstances compelled men to form some sort of theory of the right relation between Church and State. Rufinus of Aquileia has a report of a speech which Constantine is reputed to have made to the bishops of the Church at the Council of Nice. According to this report Constantine recognized very clearly the limitations of imperial authority in ecclesiastical affairs, and frankly acknowledged he had no jurisdiction over bishops in spiritual matters: 'Deus vos

¹ Cited Dawson, *The Making of Europe*, pp. 34-5. Cf. Pliny, 'The immeasurable majesty of the Roman peace.'

constituūt sacerdotes et potestam vobis dedit de nobis quoque judicandi et ideo nos a vobis recte judicamur. Vos autem non potestis ab hominibus judicari.' A little later we find Hosius of Cordova repudiating in emphatic terms the notion that the Emperor had any right to interfere in the affairs of the Church. He warns the Emperor: 'God had granted to him the kingdom, to the churchmen the care of the Church.' The thought of St. Ambrose is expressed in terms that are familiar: 'Quando audisti, clementissime imperator, in causa fidei laicos de episcopo judicasse? Quis est qui abnuat in causa fidei, in causa inquam fidei, episcopos solere de imperatoribus Christianis, non imperatores de episcopis judicare?'

The parallelism or contrast between Church and State became accentuated during the period of dissolution of the Empire by the publication of St. Augustine's *Civitas Dei*, of which in the thought of the late Professor T. H. Turner the theory 'was in the germ that of the Medieval Papacy without the name of Rome'.

The normal principle of the relation between Church and State was authoritatively defined by Pope Gelasius at the end of the fifth century, the principle, namely, that human society is governed by two powers, the temporal and the spiritual, each of which is divine in origin and each of which is within its own sphere independent of the other and yet subordinate in relation to the sphere of the other. This was (as Dr. Carlyle says) a new conception in the Western world, the conception, namely, that life on its spiritual side is not subject to temporal authority but independent of it. It is (he says) one aspect of the new significance of human personality, of a new conception of liberty. This new conception of personality, of freedom from imperial or State control of the spiritual life of man, was developed and secured by the growth of a new system of law (balancing the Civil Law of Rome), of Ecclesiastical or Canon Law, which may be said, within limits, to have been a synthesis of rules and principles derived from the Roman Law and the Old and New Testament and from the decrees and decisions of Popes and Councils of the Church.

Une église parfaitement hiérarchisée pourvue de lois précises, abondantes; tel est le résultat de l'activité organisatrice qui s'est déployée dans toute la Chrétienté au temps même où se préparait la désorganisation de l'Empire.¹

The appearance side by side with the classical Roman Law of a body of rules of Ecclesiastical or Canon Law declared and promulgated by the Supreme Pontiff revived in a sense, though on an ampler and more universal stage, the old distinction between Jus and Fas. The Canon Law as it was written down by Dionysius Exiguus was transmitted by Hadrian to Charlemagne to be a guide to him in the governance of the New and Holy Empire of the West. The association of Hadrian and Charlemagne and at a later date of Sylvester and Otto, in an effort to renew the Empire in the West, reflected their consciousness of the growth (or return) of a common unity of culture in Europe and bore witness to the birth of a new series of Christian States extending from Scandinavia to the Danube which became incorporated in the unity of Christendom. In the meantime the schism of the Eastern Church and the decline of the Eastern Empire and also the rise in Asia and in Africa (and even in parts of Europe) of the Mohammedan power had effectively put an end to the old cosmopolitanism of the Roman Empire and opposed new political and religious barriers to the peaceful and easy intercourse of men and nations.²

Within the restricted circle of Western Christendom the traditions of Rome, that is to say of Universal Law, survived in

¹ Fournier et Le Bras, *Collections canoniques en Occident*, vol. i, p. 14

² None the less, there remained embedded in the law and customs of the Eastern and African peoples many of the rules and principles of the classical Roman Law. The Codex of Justinian which had been promulgated at Byzantium towards the middle of the sixth century had marked the fusion of the Roman tradition with Eastern and with Christian thought. The existing political unrest and the growing separation between East and West effectively prevented the reception of the Codex in its integrity. The course of events in the following centuries caused the partition of the inheritance of Roman Law between East and West, between Islam and Christendom. In the West the Roman Law, intermixed with the customs and ideas of Germanic peoples, became the common law of Europe. In Asia and in Africa, with an amalgam of Islamic ideas, it furnished the basis of the common law of the Mohammedan world see the valuable study by Charles Boucaud, *Par romana: L'Ordre romain et le droit des gens*, Victor Attinger, Paris, 1930.

the early Middle Age in the shape of codes based not upon the legislation of Justinian but on the earlier legislation of Theodosius, and promulgated in the shape of abridgements known by the characteristic titles, 'Lex romana Wisigothorum' and 'Lex romana Burgundorum'. In the eleventh century the recovery of the Florentine text of Justinian brought with it a renaissance of the classical Roman Law:

Une science nouvelle naquit indépendante et laïque, la science de la société civile telle que l'avait dégagé les Romains et qui pouvait passer pour la chef d'œuvre de la sagesse humaine. A côté du théologien se plaça le légiste qui avait comme lui ses principes et ses textes et qui lui disputa la direction des esprits avides de savoir. Depuis le règne de Charlemagne on s'était habitué à regarder la plupart des peuples et des États de l'Europe comme unis entre eux par des liens communs malgré les différences qui les séparaient: l'empire, la religion, le clergé, la langue latine, telles étaient ces liens. Le droit romain vint s'y ajouter. Dès lors on ne le considéra plus comme le droit particulier des Romains ou comme la propriété exclusive d'un seul état mais comme le droit commun de l'Europe Chrétienne.

The renaissance of the Roman Law led naturally to a corresponding renaissance of Canon Law. The two centuries that followed saw the formulation in the Decretum of Gratian and in the five books of the Decretals and in the Sext and the Clementines and the Extra-vagantes the Corpus Juris Canonici, which was amended and extended from time to time by decrees and decisions of Popes and Councils, and which was finally merged in the Codex of 1917.

On the common basis of Roman and of Canon Law are laid the foundations of international law.

Le premier fondement du système de Droit des Gens reste toujours le Droit Romain, droit universel, auquel s'est superposé le droit canonique universel comme l'église dont il émane. Ce sont des théologiens et des philosophes du Moyen Âge qui ont fusionné ces deux systèmes de Droit.¹

¹ James Brown Scott, *Revue de droit international*, 1925, p. 489. So also Walker, *A History of the Law of Nations*, vol. 1, pp. 156-7. 'The most cursory examination of the legal literature of the Age of the Reformation will suffice to prove that not only

Throughout the Middle Ages men shared a common concept of the universe. The mind of man was dominated by the idea of unity. Everywhere the One came before the Many. In the social order this concept culminated in the idea of a community which God had constituted and which comprised all mankind. In all the centuries of the Middle Age, Christendom, which is in destiny identical with mankind, is set before us as a single universal community founded and governed by the Eternal Law of God and by the Natural Law which is the reflection of the Eternal Law in created things. Mankind is thus in the medieval conception one body, a single folk. It is an all-embracing corporation which constitutes that universal realm, spiritual and temporal, which may be called the universal Church (*ecclesia universalis*) or, with equal propriety, the commonwealth of the human race (*res publica generis humani*). In order that it may attain its one purpose it needs one law and one government.

Along with this idea of a single community of all mankind goes an acceptance by the Middle Age of the severance of this community into two organized orders of life. Corresponding with the duality of the nature and destiny of man there must be two separate orders, one of which fulfils the temporal destiny of man, the other of which makes preparation for his eternal welfare. And each of these orders in turn appears as a separate realm administered and controlled by a separate government and by its own particular law.¹

The existence of these separate orders and their prolongation in a feudal sense is recognized by the greatest of the medieval writers on English Law.

Among men there are differences in status because some men are pre-eminent and are preferred and rule over others. Our lord the Pope, for instance, is pre-eminent in matters spiritual which relate to the priesthood and under him are archbishops, bishops and other inferior prelates. Also in matters temporal there are emperors, kings,

the foundation-stone but the material for all the lower tiers of the Grotian system was furnished by the labours of the canonist theologians of the Middle Ages and the classical jurists of the Roman Empire.²

¹ The conflict between Church and State marks the effort to reduce this dualism to unity.

and rulers in things relating to the kingdom and under them are dukes, counts, barons, magnates, and knights.¹

In the full medieval conception the Papacy and the Empire, Church and State, were thus universal and separate and at the same time subordinate powers. They were subordinate to God and His law which ruled the universe, the Eternal Law (which is the divine wisdom) and the Natural Law which is the reflection of the Eternal Law in created and reasonable beings.² The Natural Law binds all rational creatures, rulers and ruled. It binds the Pope equally with the Emperor and is equally indispensable by either. 'Lex divina et lex naturalis, articula fidei et sacramenta novae legis' were always recognized as beyond the limits of Imperial or Papal sovereignty.

All were thus agreed that there was a Natural Law which on the one hand radiated from a principle transcending earthly power and on the other hand was true and perfectly binding Law. Before the State existed, the Lex Naturalis already prevailed as an obligatory statute and from it flowed those rules of right to which the State owed even the possibility of its own proper origin. The highest power on earth was subject to the rules of Natural Law. They stood above the Pope and above the Kaiser, above the Ruler and above the Sovereign People, nay above the whole community of mortals. Neither statute nor act of government, neither resolution of the people nor custom could break the bounds that were thus set.³

The attribution of an absolute and objective validity to the maxims of Divine and Natural Law involved a recognition of certain inborn and indestructible rights that were proper to the individual, or more accurately to the human person, of whom Aquinas wrote: 'Persona, id quod perfectissimum est in tota natura.'

A fugitive glance [says Gierke] at Medieval Doctrine suffices to show how through it all, in sharp contrast to the theories of antiquity, runs the thought of the absolute and imperishable value of the individual: a thought revealed by Christianity and grasped in

¹ Bracton, f. 5 (b).

² 'Participatio legis aeternae in rationali creatura.'

³ Gierke, *Political Theories of the Middle Age*, translated by Maitland, p. 75. The foregoing passages are largely inspired by Gierke.

all its profundity by the (medieval) spirit. That every individual, by virtue of his eternal destination, is at the core something holy and indestructible even in relation to the highest power: that the smallest part has a value of its own and not merely as part of a whole: that every man is to be regarded by the community never as a mere instrument but also as an end: all this is not merely suggested but is more or less clearly expressed.¹

This exaltation of man as a reasonable being and of law as a reasonable rule finds its full and almost perfect expression in the pages of St. Thomas Aquinas (1224-72). For him, as has been stated, the *persona* is 'id quod perfectissimum est in tota natura'. For him (unlike some of his predecessors among the Fathers and most of his successors among modern political and legal thinkers) there is in the nature of man a certain excellence and a certain native inclination to friendship with his fellow man.

Est autem omnibus hominibus naturale ut se invicem diligant; cujus signum est quod—quodam naturali instinctu—homo cuilibet homini etiam ignoto subvenit in necessitate; puta revocando ab errore viae, erigendo a casu et aliis hujusmodi ac si omnis homo omni homini esset familiaris et amicus.²

And again:

Lex data sive divinitus sive humanitus inclinationi naturali respondet et eam perficit. Inest autem homini naturalis inclinatio ad omnium hominum dilectionem. Hoc autem monstrat quod homo exhibebit in periculis etiam ignotis auxilium et in erroribus viarum directionem. Necessarium igitur fuit lege divina praeceptum dilectionis dari quod ad omnes homines extenderetur.³

To this noble conception of man was joined a noble conception of the unity of mankind. This idea of the essential unity of mankind survived the disorder of the Reformation in the classical statement of Suarez (1548-1617) in his *Tractatus de legibus ac Deo legislatore*: he insisted, like Vasquez, on the existence and the necessity of a law (*Jus gentium*) 'quod omnes populi et gentes variae inter se servare debent'.

¹ Gierke, op. cit., p. 81.

² *Summa contra Gentes*, lib. 3, cap. 117.

³ Ibid., cap. 130.

Ratio hujus juris est quia humanum genus quantumvis in varios populos et regna divisum semper habeat aliquam unitatem non solum specificam sed etiam quasi politicam et moralem quam indicat naturale praeceptum mutui amoris et misericordiae, quod ad omnes extenditur, etiam extraneos et cujuscunque nationis. Quapropter licet unaquaeque civitas perfecta, respublica aut regnum, sit in se communitas perfecta et suis membris constans, nihilo minus quaelibet illarum est etiam membrum aliquo modo hujus universi, prout ad genus humanum spectat. Nunquam enim illae communitates adeo sunt sibi sufficienter sigillatim quin indigeant aliquo modo mutuo juvamine et societate et communicatione, interdum ad melius esse majoremque utilitatem, interdum vero etiam ob moralem necessitatem et indigentiam ut ex ipso usu constat. Hac ergo ratione indigent aliquo jure quo dirigantur et recte ordinentur in hoc genere communicationis et societatis.¹

In like manner Franciscus de Vittoria:

Since a state is only part of the whole world, since even more a Christian state is only part of the whole Commonwealth of Christendom (*res publica Christiana*) even if war be to the plain advantage of a certain state or people, but if it is on the other hand injurious to the world at large or to Christendom as a whole, it is on this account unjust. Granted, for instance, that a war were about to be undertaken by Spain against France for a just cause and that it were certain to bring some property advantage or benefit to the kingdom of Spain, if, none the less, its conduct were likely to involve a greater hurt to the whole of Christendom, as, for example, by making it easy for the Turks to occupy Christian territory, then Spain ought to abstain from such a war.

¹ *De Legibus*, II, cap. 19, n. 19. 'The principle of International Law is that notwithstanding its division into different kingdoms and peoples mankind is a species of not only physical but also moral and political unity as indicated by the natural precept of mutual love and charity which extends to every nation and to all men without exception. Hence every sovereign state, be it commonwealth or be it kingdom, though in itself a perfect community yet in relation to the human race it is in some measure a member of that universal unity. For those single states are never so self-sufficient as not to stand in need of mutual aid and of association and even, in a measure, of union with other communities, be it for their greater material welfare or by reason of some moral necessity or need. And thus they require a common law which shall direct their relations in the way of international and social life.'

With these twin conceptions of the essential nobility of man and of the essential unity of mankind great leaders of medieval (and of modern) thought have approached and solved some of the greatest problems of international life and law. On these principles Vittoria, for instance, handled and solved the problem that arose from the Spanish occupation of the Indies and the lands of the New World. Having rejected as invalid the Spanish claim to occupy Indian Territory by virtue of the Dominion of the Emperor (who was also King of Spain), and having rejected also as invalid the claim to occupy the Indies by virtue of a donation of the Sovereign Pontiff, Vittoria proceeds to state the titles upon which the Spaniards might lawfully claim to enter the new territories. The first of these titles is the natural right of man to communicate and hold intercourse with his fellow man. The Spaniards have 'Jus peregrinandi in illas provincias et illic degendi, sine aliquo tamen nocumento barbarorum, nec possunt ab illis prohiberi'.¹ This right, he argues, follows from the *jus gentium*, according to which it is held among men of every nation to be against reason and humanity to fail, without good cause, to extend a welcome to guests and strangers. For friendship between man and man finds its corollary in hospitality and exchange of ideas and of goods and services. It is in the nature of an act of war to forbid men to visit a State or a province or to expel them if they are already there. It is accordingly against reason and right for the rulers of Spain and equally for the rulers of the Indies to prohibit commerce between their respective subjects.²

¹ *De Indis*, The Classics of International Law, Washington, 1917, pp. 257-8

² The doctrine is of such high contemporary interest and importance that the actual outline of the argument may be given in the words of the author: 'Quod naturalis ratio inter omnes gentes constituit vocatur jus gentium. Sic enim apud omnes nationes habetur inhumanum sine aliqua speciali causa hospites et peregrinos male accipere. e contrario autem humanum et officiosum se habere bene erga hospites. Secundo, a principio orbis (cum omnia essent communia) licebat unicuique in quamque regionem vellet intendere et peregrinare. Non autem videtur hoc deceptum per rerum divisionem: nunquam enim fuit intentio gentium per illam divisionem tollere hominum invicem communicationem. Tertio, omnia licent quae non sunt prohibita aut alias sunt in injuriam aut detrimentum aliorum. Sed (ut supponimus) talis peregrinatio Hispanorum est sine injuria aut damno barbarorum. Item, haec est una pars belli, prohibere aliquos tanquam hostes a

This natural right to free intercourse and to freedom of trade was affirmed with equal emphasis by Hugo Grotius. 'Not even temporal sovereigns in their own dominions have the right to prohibit freedom of trade.' All nations and all individuals have, according to Grotius, an indefeasible right to engage in international trade; and for the prince, his concern is limited to special matters and does not extend to the prohibition of material gain. Moreover, his authority 'has absolutely no force against the Eternal Law of nature and of nations, from whence came that liberty which is destined to endure forever'.¹

civitate vel expellere jam existentes. Cum ergo barbari non habeant justum bellum contra Hispanos, supposito quod sint innoxii: ergo non licet illis prohibere Hispanos a patria. Item, omne animal diligit sibi simile. Ergo *videtur quod amicitia inter homines sit de jure naturali* et contra naturam esse vitare consortium hominum innoxiorum. Item, quia si Hispanis non liceret peregrinari apud illos vel hoc esset jure naturali, aut divino aut humano. Naturali et divino certe licet. Si autem lex humana esset quae prohiberet sine aliqua causa a jure naturali et divino esset inhumana nec esset rationalis et per consequens non haberet vim legis.

Item, cum dicitur 'diliges proximum tuum', manifestum est omnem hominem proximum esse.

Again it is lawful for the Spaniards within the limits of justice to trade with the barbarians by importing goods the latter lack or by exporting goods in which they abound. Their princes may not impede their subjects from the exercise of commerce with the Spaniards, nor may the Spanish princes prohibit commerce with them. Primo, quia etiam hoc videtur jus gentium, ut sine detrimento civium peregrini commercia exercent. Item, princeps (barbarorum) tenetur diligere Hispanos jure naturali: ergo non licet eis si potest fieri sine detrimento illorum prohibere illos a commodis suis sine causa. Contra jus naturale est ut homo hominem sine aliqua causa avertetur. Non enim homini homo lupus est (ut ait Ovidius) sed homo. The advocacy by Vittoria of a primary rule of international Free Trade is a striking anticipation of what appears to be a general conclusion of twentieth-century economists, that is everywhere contradicted by the practice of twentieth-century statesmen.

¹ *Grotius*, by W. S. M. Knight, p. 105. The importance for law and international relations of the medieval concept of the excellence of human nature and of the innate friendship of man for man is strongly affirmed by Professor Elliot Smith of University College, London, in two striking letters in the issues of *The Times* newspaper, dated respectively 13 November 1928 and 15 November 1929. The occasion of the first of these letters was the statement by President Coolidge on Armistice Day 1928 that 'it is coming to be more and more realized that peace is the natural state of mankind'. 'If', says Professor Elliot Smith, 'warfare and all forms of strife and violence are due not to the innate impulse to be savage and malicious but to some artificial and avoidable interference with man's instinctive tendency to decent conduct, the preservation of peace by reason and consideration becomes a real possibility. Yet those who should be the first to recognize the innate

In the medieval period there thus existed throughout Christendom a real though imperfect organization on certain legal principles of the unity of Christian peoples. The emphasis that was laid upon the legal and spiritual elements provides a notable contrast to the altered conditions of modern times. Bishop Stubbs has written that

the whole period of the Middle Ages, from 1000 to 1500, from the Emperor Henry II to the Emperor Maximilian, were the ages of legal growth, ages in which the idea of right as embodied in law was the leading idea of statesmen, and the idea of rights justified or justifiable before the law was a profound influence with politicians.

And again he says:

The little principalities of the Low Countries subsisted side by side with their powerful neighbours. The small kingdoms of Spain united and separated according to the law of inheritance that was recognized by each, and when an attempt at infringement was made the aggressor found himself matched by a wide and powerful union of powers instinctively actuated by the intention of right.¹

And of the prominence given to the spiritual element, Fustel de Coulanges has written:

Ce que nos sociétés modernes appellent l'ordre, et qui est une chose purement matérielle et exclusivement politique, apparaît à ces générations sous la forme de paix et de concorde, c'est à dire, comme chose morale, et d'ordre à la fois politique et religieuse. . . . Ce gouvernement se donnait pour mission non pas seulement d'accorder les intérêts humains et de mettre l'ordre matériel dans la société, mais encore d'améliorer les âmes et de faire prévaloir la vertu.

The medieval universe was none the less in idea and in fact a limited universe. Christendom had in some sense inherited

nobility of mankind as the chief reason of hope for preventing war, are in many cases, those who have most grossly misrepresented human nature and attribute to this influence, if not the inevitability of conflict, the need of suppressing the original sin essentially supposed to be inherent in natural man.⁷

In the second of these letters Professor Elliot Smith says that until the year 1928 no statement since the eighteenth century had admitted man's innate peacefulness as the principle which could inspire apt international co-operation.

¹ Stubbs, *Medieval and Modern History*, pp. 243-4.

and retained the exclusive outlook of Greece and Rome and Israel. And the Crusades had consolidated this consciousness of Christianity and contracted its universal appeal to the exclusion of Turk and Saracen and the like. This limitation of mind appeared even in advanced thinkers like Pierre Dubois. In the sixteenth century Francis I became the object of execration because France had made an alliance with the Mohammedan government. It was the end of the seventeenth century before any recognition was taken of Turkey as a negotiating power or of any obligation towards it in the comity of nations—even then there was no question of allowing Turkey to be included in the grouping of European peoples.¹

Moreover, the medieval balance of Church and State, of Pope and Emperor, represented always the ideal of European society as a whole rather than the real facts of the political life of Christendom. Certain countries, like England and Sweden, never fell in fact or in fiction within the ambit of the Emperor. In England the idea of a world state which is governed by an emperor appears in the modified form of a notion that one or other king of England is an emperor, or will do instead of an emperor, thus Henry I is *gloriosus Caesar Henricus* and Richard II *entier emperour de son roialme*. And in the course of time other countries, like France and Spain, which once fell within the Empire, escaped control of the imperial power. Besides, the condition of Europe during the medieval centuries was a condition of feudalism with a wide diffusion of power or jurisdiction among a number of petty lords and princes in a bewildering state of feudal subordination either by reason of the relation of vassalship which they owed to this or that lord or by reason of their condition of dependence in relation to one or other of the two supreme authorities, the Emperor and the Pope. The international community, which was sometimes called in those days *res publica Christiana*, was thus a complexity of political groups of limited authority dependent one upon another by a

¹ Vittoria appears to have allowed that the slaughter of defeated Saracens from whom no equitable peace could ever be hoped was permissible, though he thought it abhorrent among Christians. See Butler and Maccoby, *Development of International Law*, p. 120.

multitude of relations of a feudal nature and origin and all in fact or in fiction subordinated to the supreme authority of the Emperor who in the order of Divine Providence continued the temporal sovereignty of the Roman Power, and to the authority of the Pope who was the representative of that power in the spiritual order.

In the later Middle Ages, the operation of a series of converging causes led insensibly to the transformation of the existing system of principalities and powers knit together in feudal complexity and subordination into a community of co-ordinated powers independent of one another and no longer subject to the Imperial or Papal sovereignty. Among the causes which operated more directly to produce this transformation was the economic decline of feudalism and the progressive reunion of subordinated and subdivided powers into a single central power which became in time a modern State. With this disappearance of the feudal order of society and the emergence of a centralizing State went the emancipation of all the dependent powers of Europe from the authority of the Emperor and the corresponding rejection of the Papal power in the Reformation and the exclusion of the authority of the Pope as well as the Emperor from those states which no longer recognized the Roman obedience. In this way the emerging territorial State which asserted its absolute authority over its subjects affirmed at the same time its independence of every other terrestrial power, and the relation between State and State became that relation between independent and equal units which gives its characteristic trait to modern international life.

To this movement in the order of history there corresponded in the order of thought the movement which began with the names of Marsiglio of Padua and Niccolò Machiavelli. Marsiglio denied to the Church any coercive jurisdiction even in purely spiritual matters, and projected a system, logically elaborated even into details, in which the Church was a State institution, Church property was State property, spiritual offices were offices of State, the government of the Church was part of the government of the State and the sovereign ecclesiastical com-

munity was identical with the political assembly of the citizens.¹ And the teaching of Machiavelli that the prince was free from the restraint of the Moral Law, that is to say of the law of nature, whenever he was acting in the interest of the public weal, made a foundation for a purely political, that is to say non-moral, theory of the State which in the course of years came to be an assumption of law and statesmanship.² The reception of Roman Law and the writings of Jean Bodin accentuated this movement towards the development of the theory of State sovereignty and the liberation of the State from the control of Moral and Natural Law. Bodin, finding the term *souverain* used in French legal language to describe courts like the 'Parlement de Paris' from which there was no appeal, introduced the term into political theory and also into international politics. In due course the term *souverain* came to mean what it meant to Machiavelli and Marsiglio: 'Legislator humanus superiore carens.' This conception of sovereignty was acceptable to the new States of Europe which had now rejected or were in course of rejecting the ancient sovereignty of Empire and of Pope. Sovereignty was the proper mark of the State. Applied inwardly to the sphere of internal politics it acted as a powerful urge to the development of centralization and to the termination of provincial and local autonomy; applied outwardly to the sphere of external politics it wrought the transformation of the tangled system of European public life.

The importance of Machiavelli and of Bodin in the new development of European thought and practice is emphasized by one of the most distinguished of modern writers on international law.³

¹ It is to be observed that at the opening of the Reformation in England, King Henry VIII caused the *Defensor Pacis* of Marsiglio of Padua to be translated and adapted for use in England. (Letters and papers 1535.) It is well known that the *Prince* of Machiavelli was the *vade mecum* of Thomas Cromwell.

² 'A Prince is to have no other design nor thought nor study but War and the Arts and Disciplines of it; for indeed that is the only profession worthy of a Prince and is of so much more importance that it not only preserves those who are born Princes in their patrimonies but advances men of private condition to that honourable degree.' 'A Prince that is wise and prudent cannot nor ought not to keep his parole when the keeping of it is to his prejudice and the causes for which he promised are removed.' *The Prince*, c. 14, c. 18.

³ Anzilotti, *Cours de droit international*, p. 5.

Si dans l'ordre de la pensée le *Prince* de Nicholas Macchiavel et les six livres de la *République* de Jean Bodin sont les documents caractéristiques des nouvelles vues de politique, l'expression la plus notable dans l'ordre des faits, et dans une certaine mesure la synthèse de cette proposition, se trouve dans les fameux traités de Munster et d'Osnabruck de 1648 [the treaties of Westphalia] connus avec raison comme le point de départ du développement historique du droit international actuel.

This new orientation of political thought and action reflected a corresponding change in the conceptions and principles of ethical and juridical thinking. Luther and, following him, Francis Bacon and Hobbes, rejecting the leadership of Aristotle and Aquinas in this and other matters, began to speak of the depravity of human nature and of human life as a thing 'poor, nasty, dull, brutish, and short'.¹ Bacon, too, in contrast with Saint Thomas More, who was in the words of Professor Elliot Smith 'a champion of the good character of natural man', maintains 'that a great part of the Law Moral is of that perfection whereunto the light of nature cannot aspire'. According to him,

¹ 'Dans le système protestant', writes the Doyen of the Faculty of Protestant Theology of the University of Strasburg, 'l'hypothèse d'une morale et d'un droit divin naturels étaient au fond incompatibles avec la doctrine de la corruption radicale de l'humanité par le péché originel. Comment une théologie convaincue qu'il n'y a que péché en dehors de l'action de la grâce pouvait-elle rattacher par un lien quelconque les idées et les traditions morales et juridiques d'une humanité déchue au règne de la morale évangélique dans une humanité renouvelée? Il y avait là une antinomie qui devait par rapport à l'Église et à sa doctrine conduire à l'affranchissement complet de la sphère sociale que le protestantisme en théorie du moins refusait de soumettre à la loi révélée. Aussi n'est-il pas étonnant que la laïcisation du droit se soit produite tout d'abord sur le terrain protestant' (Ehrhardt, *Crise actuelle de la philosophie du droit*, p. 11)

In like manner M. André Siegfried: 'Pour Luther, les lois du monde sont mauvaises, la nature est livrée à l'injustice et au mal. Dans le domaine terrestre où se meut l'État, il n'y a d'autre loi que la force, l'Évangile y est inapplicable tel quel. Aux saints donc de vivre entre eux, dans une société spirituelle, revendiquant jalousement l'indépendance mystique de leur vie intérieure. Mais sur terre c'est le Prince qui a reçu de Dieu le droit de manier l'épée, la charge de maintenir la vie de l'État, conformément à des règles que la morale n'a pas à connaître et que la Providence cependant a voulues telles. Le chrétien sera donc serviteur de l'État dans les choses temporelles, sans discuter, mais il réservera la liberté de son âme: conception mystique religieusement et cynique politiquement, qui fait du fidèle une individualité spirituelle souveraine, mais un humble sujet dans la Cité' (*États Unis*, p. 32).

'the light of nature has imprinted upon the spirit of man an inward instinct, but it is only sufficient to check the vice rather than to inform the duty'. Hobbes again, who has even been called the founder of English ethics, maintained that: 'Granting an original state of anarchy and internecine hostility, the only way out of it was the joint resolution of the whole community to surrender their rights of individual sovereignty into the hands of one man.' If man was by nature evil, as Luther and Hobbes declared, law could no longer be conceived (as Aquinas conceived it) as a set of principles that expressed the natural inclination of man towards goodness and truth. For men of a depraved and evil nature law, of necessity, became a thing external to that nature, an imposition and a command and even a species of violence.¹ And the first principle of international life was force.

The movement of opinion in matters of international law followed a parallel or corresponding course. For Grotius international law was in a sense an extension to States of the principles of Natural Law which applied to individuals. Hobbes was the first writer of authority to make a definite distinction between a Natural Law of Man and a Natural Law of States. His successor Wolf carried the matter a step farther. States are in his view moral persons and the subjects of rights and obligations by direct operation of Natural Law. But the essence and nature of the State necessarily differ from the nature and

¹ The controversy whether the essence of Law is Will or Reason is older than the Reformation. For Ockham and the Nominalists generally the Law of Nature was a mere Command, which might be arbitrary in its nature and which was right and binding merely because God was the Lawgiver. For Aquinas and the (moderate) Realists Natural Law was a judgement of right, necessarily flowing from the Divine Being and determined by the Divine Essence. Law is for them 'judicium rationis quod sit aliquid justum'. In the post-Reformation period the derivation of all law from Will and the explanation of Natural and Positive Law as mere Command was well nigh universal. Only Leibnitz (1646-1716), who in so many directions went deeper than his contemporaries and who so often turned his eyes backwards to medieval ways of thinking, disputed this Will-Theory against Pufendorf 'Das Recht ist nicht recht, weil Gott es gewollt hat, sondern weil Gott gerecht ist'. See Gierke, *op. cit.*, pp. 172-4.

The history of Natural Law in its relation to international affairs is stated in a masterly way by Professor Le Fur, *Académie du Droit International Recueil des Cours*, 1927, vol. III, pp. 261-442.

essence of natural persons who compose the State. The Natural Law of States must accordingly differ in the same way from that of man. The logic is clear. The Natural Law of States must be treated separately from and independently of the Natural Law of Man. With the great work of Vattel, the disciple of Wolf, we have the real beginning of what was until yesterday modern international law. Moser, a contemporary of Vattel and the real father of that modern law, rejected in turn the superstition of the Law of Nature and the Law of Nations as it was known to Vattel and to Grotius. The territorial State was thus released in theory and in fact from every moral or legal rule that might have fettered its freedom to assert and pursue its own several interests in the sphere of national and international action.

This immoral and unChristian doctrine formulated by thinkers in different countries from Bodin and Hobbes to Hegel and Trietschke was accepted alike by rulers and peoples and has dominated both the theory and practice of the modern world for the past four centuries.¹

The effect in time of the operation of these modern ideas of the Renaissance and the Reformation was to disturb and even to destroy the old quasi-corporate life of Christendom and to dissolve its intellectual and spiritual unity. In recoil from anarchy Luther accepted the absolutism of the Civil Power. *Cujus regio, ejus religio*: the citizen is subjected to the religion

¹ Report of C.O.P.E.C. on International Relations In the 8th edition of Hall's *International Law* it is said, at page 82: 'International Law has no alternative but to accept war independently of the justice of its origin as a relation which the parties may set up if they choose, and to busy themselves only in regarding the effects of the relation.' In the *Cambridge Law Journal*, 1932, at p. 308, Professor Brierly makes the following comment on this passage: 'This view which came to be more or less generally accepted by international lawyers in the course of the nineteenth century marked the definite abandonment of the claim of the classical jurists to distinguish between "Bellum Justum" and "Bellum Injustum", and it was in a sense an admission that international law had so far failed in the primary task of all legal systems, that of establishing and maintaining a distinction between the legal and the illegal use of force.' In a recent volume a professor of law at Cambridge said of Natural Law that it was of interest to students of historical jurisprudence as a 'topic that has long since had its brains knocked out'. Winfield, *Sources of English Legal History*, p. 315.

of the State. It was natural also that States which claimed to exercise absolute dominion over their subjects should consider themselves independent of all external authority. The relation of State and State thus became a relation of co-ordination between equal and independent units, and this relation of co-ordination between equal and independent units is the characteristic mark of international law in the modern world.

It is easy to trace in history the transition from the old mediæval order with its exaltation of right and justice to the modern order with its emphasis on economic and material interests. In a learned volume on the *Life and Works of Hugo Grotius* an English lawyer states:

How very real was the regard which temporal princes had for the Papal insistence that justice should be done even in favour of the heathen and though in hindrance of efforts towards territorial expansion is apparent from an instance quoted by Grotius in the *de Jure Belli*: Spain hesitated to strike a blow against the Philippines which if successful would have done much to strengthen her occupation of the islands until she was first assured that the circumstances of the case were such that the Law of Nations would not thereby be contravened and Papal protection and recognition withheld.¹

On another page in the same volume are set forth in some detail the opinions of fathers of the Augustinian, the Dominican, the Franciscan, and the Jesuit Orders that were sought by the Spanish Power in contemplation of their contest with Zambeles in a later century.² 'The wars of the various coalitions against Louis XIV' (we are told in another volume) 'saw both sides produce their "probable" cases each from its own point of view and decline to admit the good faith of its adversaries.'³ Then 'side by side with wars like those which Louis XIV waged there began to appear in increasing numbers a sort of war in which neither side appeared to insist on the existence of a legal claim the denial of which led to its vindication by armed force'. The Anglo-Dutch Wars of 1652-72 were of this type. So also the

¹ Knight, *Life and Works of Hugo Grotius*, p. 102.

² Op. cit., p. 205.

³ Butler and Maccoby, *Development*, p. 115.

Anglo-Spanish hostilities which were initiated by Cromwell have been said by an English writer to be an even more extreme example of this kind of war. Spain, it is said, 'was deliberately singled out by Cromwell as an enemy which offered the opportunity of ample colonial plunder. These wars, largely commercial, colonial, and naval, were fought almost avowedly on the old pagan basis that war is a not illegitimate way of increasing colonial possessions, national wealth, and national well-being of every kind.'¹

With the decline of the Middle Ages and the emergence of a new system of sovereign States there grew up also the new doctrine of Neutrality and of the Balance of Power. 'The modern dogma of the sovereignty of the National State', says Professor Pollard, 'implies an anarchy among them which necessitates occasional if not frequent recourse to the barbarous arbitrament of war.'² The doctrine of Neutrality was an expression of the respect due by non-belligerents to the sovereignty of the belligerent Powers. 'International Law regarded neutrality as a virtuous attitude and thought that belligerents whether right or wrong must be treated with impartiality. . . . Neutrality is indifferent to international justice and the subtlest because the most cowardly enemy of mankind.'³

The doctrine of the Balance of Power was also in its essence based on a conception not of right and justice but of material power and ultimately of force. The dictum of Henry VIII, *Cui adhaereo, prae-est* is an almost cynical statement of the appeal to Force as the final arbiter in international affairs. The idea was that the inordinate growth of any one member among a group of independent States possessing a reasonable measure of power should automatically produce a combination of others to keep it within bounds. In practice the tendency was to produce in Europe two great systems of alliance in a condition of unstable equilibrium.

The sense of disequilibrium and of disunion in post-Reformation Europe led to a series of proposals which were designed to

¹ Butler and Maccoby, op. cit., p. 115.

² *Phillumore Pamphlets*, No. 41, p. 4.

³ Pollard, op. cit., p. 17.

restore a measure of unity and order. Of these proposals one of the first was that which was made by Grotius to James I that a conference should be summoned and should be charged with the duty of effecting the reunion of Christendom. Perhaps the most interesting is the proposal made by Sully at a later time and known to history as the Grand Design.¹ Its interest derives from the fact that its author had a wide experience of public affairs and the scheme may be taken to reflect his thought. The proposal of Sully was to divide or redivide Europe into a system of fifteen States. There were to be first of all six hereditary monarchies: those of Britain, Denmark, France, Lombardy, Spain, and Sweden. Next there were to be six elective monarchies: the Papacy, the Empire, Bohemia, Hungary, Poland, and Venice, the nomination to the thrones to be under the control of the senior hereditary monarchs, to whom were to be added the Pope and the Emperor once they were elected and enthroned. Lastly, there were to be three republican confederacies: the Belgic, that is to say the Low Countries; the Helvetian, that is the Swiss; and the Italian, which was to be composed of the smaller States of Italy. The fifteen States were to be united in a confederation with a system of councils and a central council at which they were to be represented, roughly in proportion to their individual importance. One of the tasks of the confederation would be to drive the Turk out of Europe. Sully would seem to have been in favour of driving the Tsar of Muscovy back into Asia as a barbarian and no true Christian, but he does not insist upon this point. This scheme had its basis in the anti-Hapsburg tradition and policy of France. It was, in a sense, the expansion of the anti-Hapsburg League of Halle (1610). In its recognition of the status of the Low Countries and the Swiss it anticipated the recognition which was won by these peoples by the Treaty of Westphalia. It reflects the new order in the attempt it makes to co-ordinate the fifteen States that are included in the scheme. The Grand Design is reminiscent of the ancient order of Europe in its retention of

¹ One may refer in passing to the federal proposals of Cruce (1623), of Penn (1692), of the Abbé St. Pierre (1717), and of Kant.

Pope and Emperor and the prominent place it gives to each after he has been elected. It also reflects the old order in the attitude it manifests towards the Turk and even towards the Tsar of Muscovy. In fact the scheme of Sully, like all former schemes for the organization of the international life of Europe, centred round the problem of the expulsion of the Turk. With the inclusion of Russia in the European State system a new character was given to the problem of Turkey and to the whole outlook of Eastern politics.

The development of international relations, in truth, has been largely conditioned by the influence of fresh facts. The discovery and colonization of America, the admission of Russia (and in a modified sense of Turkey) within the European system, the conquest of India, the opening up of relations with China and Japan, each and all of these produced a real expansion of international life and thought. In the presence of an international system which embraced the whole world and which included peoples that differed not only in race and speech but also (and profoundly) in religion, the theories of Vittoria and of Suarez on the moral and political unity of mankind became a living reality. The attempt of President Monroe to draw a sharp division between the New World and the Old was (as events have proved) an attempt against the nature of things.

A century ago President Monroe laid down his famous doctrine of two worlds, the New devoted to Democracy, the Old abandoned to the autocrats. Europe was not to interfere with America, and America would hold aloof from Europe. But the unconscious trend of human affairs was too strong for the counsels of George Washington or the doctrine of Monroe, too strong even for the instincts and traditions of the great Republic. The world was becoming one despite all efforts to prevent it. Space was shrinking, markets were expanding, and the infection of human thought defied all human frontiers. Human nerves encircled the globe like cables and wireless telegraphy. A disturbance in any part disturbed the whole. Wheat rings in Chicago produced famine and riots in Milan. A shock to confidence in Petrograd sent down securities in New York.¹

¹ Pollard, *op. cit.*, p. 9.

In the course of the nineteenth century it became more and more plain to honest minds that the principle of Nationalism or of absolute State sovereignty was of no use as a guide to international action, and might prove to be a principle of international anarchy. The congress system provided no solution. To discover or invent a rule or criterion of international relations and of international action became a matter of urgent necessity.¹ One of the far-seeing men who sensed the need and who was conscious of the threat to civilization that was inherent in the principle of absolute State sovereignty presented himself, a picturesque and Protestant figure, at the Vatican Council in 1870 and sought (without success) to obtain from the cardinals and bishops of the Church a restatement of the ancient principles of international law and action. Though no explicit restatement of the traditional doctrine of international law was made by the Council, David Urquhart had borne witness to his belief in the fidelity of the Church to the ancient teaching of the philosophers and of the lawyers of the Middle Ages: to the teaching of Aquinas and Vittoria and Suarez and the rest. He may even have read the inspired writings of an Italian Jesuit of the period, one Taparelli d'Azeglio, the author of a notable work entitled *Saggio teoretico di diritto naturali*. In this restatement of the principles of Natural Law² d'Azeglio had written of a sublime vision of international life and action:

La société ethnologique renferme dans son sein d'irrésistibles aspirations vers le bonheur, le bien, la justice. Cette tendance raisonnable vers le bien constitue le fond même de la volonté humaine ; dans les relations sociales cette tendance se transforme en bienveillance universelle et nous fait désirer et rechercher pour les autres ce que nous désirons pour nous-mêmes. C'est le grand principe qui donne à l'ensemble des nations le mouvement et la vie. Sans cet amour de bienveillance les peuples peuvent s'unir, c'est vrai, excités par l'intérêt, mais ils ressembleront souvent à ces lutteurs de l'arène antique qui ne se serraient de plus près que pour mieux renverser leur adversaire par la ruse, l'adresse ou la force. La société des

¹ 'We were,' says Professor Pollard, writing after the event, 'we were in bondage to international anarchy, to the superstition of the State, and the Fraud of a Balance of Power.'

² Taparelli d'Azeglio, *Saggio teoretico di diritto naturali*, bk. 6.

nations est une association d'intelligences et de volontés: sa règle doit être nécessairement le bien de l'ordre et l'amour. Ôtez à une société l'amour et la bienveillance entre les membres, vous lui ôterez la vie; vous n'aurez plus qu'un cadavre de société.

Apart from the fidelity of the Church and its doctors to the true principles of international law, there was also the fidelity of nature. '*Naturam expelles furca, tamen usque recurret.*' Even in the days when the world was divided into kingdoms and commonwealths based on territorial control and jurisdiction without any common moral or political authority and with force as the ultimate sanction for international action, there were those who were not content to accept the arbitrament of force and who demanded the judgement of reason in international disputes. Nor was their advocacy idle. During the period 1789-1840 there took place on an average one international arbitration in every two years; during the period 1841-60 the recourse to arbitration in international affairs showed an average of one arbitration in each year; during the period 1861-80 there were on an average two arbitrations per annum in international disputes; during the period 1881-1900 the average had been raised to almost five per year. It was the era of The Hague conferences, the first of which in 1899 was attended by the representatives of twenty-six States, and the second of which was attended by the representatives of forty-four States. True to the tradition of his office, the ruling Pope, Leo XIII, sent to the first Hague Conference a letter of cordial goodwill.

Nous nous empressons d'exprimer nos vives sympathies pour le but éminemment moral et bienfaisant auquel tendent les travaux qui déjà y sont inaugurés. A de telles entreprises nous estimons qu'il entre tout spécialement dans notre rôle, non seulement de prêter un appui moral, mais d'y co-opérer effectivement car il s'agit d'un objet souverainement noble de sa nature et intimement lié avec notre august ministère lequel de par le Divin Fondateur de l'Église et en vertu des traditions bien des fois séculaires possède une sorte de haute investiture comme médiateur de la paix.

The event and the experience of the Great War have brought

to realization the hopes of those who convened the conferences at The Hague and have impressed upon the conscience of mankind a sense of the community that binds all the nations of the world to a common interest in the administration of justice and the maintenance of peace. The Covenant of the League of Nations has restored and established in the field of positive law the old distinction that was drawn by the moral theologians between Just and Unjust War. Wars of a certain character are declared in the Covenant to be unjust, and adequate sanctions are provided against the aggressor. The Geneva Protocol and the Kellogg Pact have pledged the faith of men and nations even more fully to an abandonment of warlike courses in favour of peaceful ways of solution of international difficulties and disputes. These provisions of Pact and Covenant are in line with the proposals of the Peace Note issued in 1917 by Pope Benedict XV which recommended the creation 'd'une institution d'arbitrage avec une haute fonction pacificatrice selon des règles à concerter et des sanctions à déterminer contre l'État qui se refuserait soit à soumettre les questions à l'arbitrage, soit à en accepter les décisions'.

The League thus stands for Peace assured by Justice. And peaceful and just solutions of international difficulties and disputes are to be sought in recourse and reference to the Permanent Court of International Justice which was established at The Hague in 1922. The Court is staffed by a panel of fifteen independent judges who are elected simultaneously by the Council and the Assembly of the League of Nations. The Court administers international law and custom according to principles that are generally received among civilized peoples.

The creation in the Permanent Court [says Professor Lauterpacht] of a body of judges who are regarded by the opinion of the world as conscious of their position in the hierarchy of international organization and developing and enabled by their status and organization to develop a sense of Priesthood in the service of an Idea transcending any particular interest is of supreme importance for the international community.

The League of Nations and the Permanent Court of Inter-

national Justice are thus the incarnation of an idea that has inspired the mind and haunted the imagination of men since the advent of the Christian era. The medieval order of Christendom with the Papacy and the Empire as the spiritual and the political expressions of its unity was a limited and imperfect realization of the same idea. The thought of Saint Thomas Aquinas extended beyond Christendom to the notion of a 'communitas seu respublica hominum sub Deo'. And the discovery of the New World in the sixteenth century led Vittoria to expand the principles of international law into a universal rule of conduct to be observed and followed by non-Christian as well as Christian States. The idea of general or legal justice was thus extended to the whole world and the good of the international community composed of all the nations became the true criterion of international conduct.

In the preface to a notable volume entitled *The Spanish Origin of International Law*, which was published in the year 1934 by the Clarendon Press at the instance of the Carnegie Endowment of International Peace, Professor James Brown Scott, President of the American Society of International Law and past President of the Institut de Droit International, has written these memorable words:

After wandering as it were in the wilderness, the publicists of to-day are disregarding the international law based on force, unrelated to morality and rendered futile and inoperative in the international community by a conception of sovereignty descended from the divine right of kings and its successor the divine state. They are leaving the paths marked out by false prophets of international law and turning to Vittoria's law of nations and the Vittorian principles which for 400 years have pointed the way to an international law still of the future, in which law and morality shall be one and inseparable, in which States are created by and for human beings, and every principle of international law and of international conduct is to be tested by the good of the international community and not by the selfish standards of its more powerful and erring members. In Vittoria's doctrine the duty of the more powerful is to observe the law as do the weak and, through his conception of the mandate, to lend a helping hand to less favoured peoples.

The restoration of the true doctrine of international law will help to consolidate opinion in support of those new institutions—the League of Nations and the Permanent Court—that give expression to the ideal of international justice and international peace; and (it is to be hoped) will also guide the minds and wills of statesmen and of jurists in the administration of international affairs and the determination of international disputes.

If, indeed, the peace at which we aim be true peace and not a mere interlude between one war and another, the new social and international order must be the spontaneous expression of an interior peace that inhabits the hearts of men whose minds are united in the acceptance of abiding principles of Truth and whose wills are knit together in the love of one sovereign Good. In declaring these principles of Truth and in disciplining men and nations to tread the path of Right and Justice, the Universal Church has been able and will continue to point the way to a true international order and to true peace which is the tranquillity of that order. True peace lies in love of the supreme good. *Vera quidem pax non potest esse nisi circa appetitum veri boni.*

Still (as St. Thomas More has told us) ‘it is not possible for all things to be well unless all men be good; which I think will not be for a good many years yet’.

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